THE THREAT OF INTERNATIONAL ORGANIZED CRIME

Y 4. F 76/1: C 86/3

The Threat of International Organiz...

HEARING

BEFORE THE

SUBCOMMITTEE ON
INTERNATIONAL SECURITY, INTERNATIONAL
ORGANIZATIONS AND HUMAN RIGHTS

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

NOVEMBER 4, 1993

Printed for the use of the Committee on Foreign Affairs

SUPERINTENDENT OF DOCUMENTS
SEP 1994
AUG 4 1994
BOSTON PUBLIC LIBRARY
CONSULT DOCUMENTS DEPARTMENT

U.S. GOVERNMENT PRINTING OFFICE

78–114 CC WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-044455-1

THE THREAT OF INTERNATIONAL ORGANIZED CRIME

4. F 76/1: C 86/3

e Threat of International Organiz...

HEARING

BEFORE THE

SUBCOMMITTEE ON
INTERNATIONAL SECURITY, INTERNATIONAL
ORGANIZATIONS AND HUMAN RIGHTS

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

NOVEMBER 4, 1993

Printed for the use of the Committee on Foreign Affairs

SUPERINTENDENT OF DOCUMENTS
LIBRARY
AUG 4 1994
BOSTON PUBLIC LIBRARY

U.S. GOVERNMENT PRINTING OFFICE

78-114 CC WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-044455-1

COMMITTEE ON FOREIGN AFFAIRS

LEE H. HAMILTON, Indiana, *Chairman*

SAM GEJDENSON, Connecticut
TOM LANTOS, California
ROBERT G. TORRICELLI, New Jersey
HOWARD L. BERMAN, California
GARY L. ACKERMAN, New York
HARRY JOHNSTON, Florida
ELIOT L. ENGEL, New York
ENI F.H. FALEOMAVAEGA, American Samoa
JAMES L. OBERSTAR, Minnesota
CHARLES E. SCHUMER, New York
MATTHEW G. MARTINEZ, California
ROBERT A. BORSKI, Pennsylvania
DONALD M. PAYNE, New Jersey
ROBERT E. ANDREWS, New Jersey
ROBERT MENENDEZ, New Jersey
SHERROD BROWN, Ohio
CYNTHIA A. McKINNEY, Georgia
MARIA CANTWELL, Washington
ALCEE L. HASTINGS, Florida
ERIC FINGERHUT, Ohio
PETER DEUTSCH, Florida
ALBERT RUSSELL WYNN, Maryland
DON EDWARDS, California
FRANK McCLOSKEY, Indiana
THOMAS C. SAWYER, Ohio
(Vacancy)

BENJAMIN A. GILMAN, New York
WILLIAM F. GOODLING, Pennsylvania
JAMES A. LEACH, Iowa
TOBY ROTH, Wisconsin
OLYMPIA J. SNOWE, Maine
HENRY J. HYDE, Illinois
DOUG BEREUTER, Nebraska
CHRISTOPHER H. SMITH, New Jersey
DAN BURTON, Indiana
JAN MEYERS, Kansas
ELTON GALLEGLY, California
ILEANA ROS-LEHTINEN, Florida
CASS BALLENGER, North Carolina
DANA ROHRABACHER, California
DAVID A. LEVY, New York
DONALD A. MANZULLO, Illinois
LINCOLN DIAZ-BALART, Florida
EDWARD R. ROYCE, California

MICHAEL H. VAN DUSEN, *Chief of Staff*
JO WEBER, *Staff Associate*

INTERNATIONAL SECURITY, INTERNATIONAL ORGANIZATION AND HUMAN RIGHTS

TOM LANTOS, California, *Chairman*

HOWARD L. BERMAN, California
GARY L. ACKERMAN, New York
MATTHEW G. MARTINEZ, California
FRANK McCLOSKEY, Indiana
THOMAS C. SAWYER, Ohio

DOUG BEREUTER, Nebraska
OLYMPIA J. SNOWE, Maine
CHRISTOPHER H. SMITH, New Jersey
DAN BURTON, Indiana

ROBERT KING, *Staff Director*
MICHAEL ENNIS, *Republican Professional Staff Member*
THEODORE H. HIRSCH, *Professional Staff Member*
BETH L. POISSON, *Professional Staff Member*

CONTENTS

Page

WITNESSES

William J. Olson, senior fellow, The National Strategy Information Center 4
Arnaud de Borchgrave, senior advisor, Center for Strategic and International Studies 9
Rensellaer Lee III, president, Global Advisory Services 12
Willard H. Myers III, director, The Center for the Study of Asian Organized Crime 14

APPENDIX

Prepared statements:
William J. Olson 29
Arnaud de Borchgrave 43
Rensellaer Lee III 48
Willard H. Myers III 54

THE THREAT OF INTERNATIONAL ORGANIZED CRIME

THURSDAY, NOVEMBER 4, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON INTERNATIONAL SECURITY,
INTERNATIONAL ORGANIZATIONS AND HUMAN RIGHTS,
Washington, DC.

The subcommittee met, pursuant to call, at 10 a.m., in room 2200, Rayburn House Office Building, Hon. Tom Lantos (chairman of the Subcommittee on International Security, International Organizations and Human Rights) presiding.

Mr. LANTOS. The Subcommittee on International Security, International Organizations and Human Rights will come to order.

Today, our hearing will focus on international criminal organizations and the implications of their illegal activities for U.S. foreign policy. The subcommittee will be examining this issue from the point of view of what our Nation's response should be in coordinating our international law enforcement efforts against these groups.

This subcommittee has dealt with this issue in a number of other hearings that are closely related to this problem—hearings on our own Nation's counter-narcotics policies, our fight against terrorism, and our efforts to promote democracy. Yesterday, the subcommittee had a very important hearing with Dr. Lee P. Brown, Director of the Office of National Drug Control Policy, which focused on the international aspects of the President's drug control strategy.

Today, we will focus on criminal organizations, terrorist groups, narcotics cartels, and illegitimate businesses and the serious growing threat they pose to the international community and, of course, the United States. The growth in communications among and joint activities between these criminal organizations raises very serious concerns for our Nation.

Democratic institutions and the democratic process are undermined when international criminal organizations corrupt legitimate democratic governments both at the local level and at the national level. We have seen this most dramatically with governments in Latin America, but it is an increasing threat in the independent Republics of the former Soviet Union, where organized criminal activity is on the increase.

International criminal organizations undermine the economies of the countries where they operate. Illegal trafficking in narcotics diverts resources from legitimate economic activity, as has been the case in many areas in Latin America. Illegal exports of precious metals and other raw materials, primarily from the states of the

former Soviet Union, undermines legitimate business channels and results in the loss of badly needed government resources.

International criminal activity represents a potential security threat to the United States. Illegal trafficking in sophisticated conventional weapons has been reported, and links between international criminal organizations and rogue regimes represent a serious threat to regional stability. There are reported links between criminal organizations and sub-national terrorist groups such as the IRA and Islamic fundamentalists. Thus far, we have no evidence of the theft of nuclear weapons or nuclear materials, such as plutonium or enriched uranium; but this, nonetheless, is a distinct threat.

The activities of international criminal organizations contribute to serious human rights abuses. The smuggling of Chinese illegal immigrants to the United States and elsewhere and accounts of prostitution rings from the former Yugoslavia and Eastern and Central Europe indicate the potential for serious human rights abuses against individuals by these criminal organizations.

Now, before introducing our very distinguished panel, the Chair would like to make a few observations about some of these specific organizations.

First, a word about the Russian Mafias. The growth of organized crime represents perhaps the most serious threat to economic reform and, potentially, to democratic government in Russia and other Republics of the former Soviet Union. Criminal organizations, called Mafia by Russian citizens, are an all too familiar feature of contemporary Russia. There are indications that former Soviet intelligence officers have become involved in criminal enterprises. Such individuals have extensive training, access to technology that contributes to their criminal success, and many links to individuals and groups involved in the widespread black market that flourished under the Soviet Government, which was involved in the illegal exchange of rubles into hard currency and narcotics.

One extremely disturbing trend is the indications of growing links between the Russian organized crime groups and other international crime organizations. Luciano Violonta, Chairman of Italy's Parliamentary Committee of Inquiry into the Mafia, told Italian radio recently that the Russian Mafia held two summits with the three main Italian crime organizations—the Sicilian Mafia, the Neopolitan Camorra, and the Calabrian Ndrangheta—to discuss drug money laundering, the narcotics trade, and the selling of nuclear weapons. Violonta also made reference to a report by a member of Russia's Academy of Sciences that link the KGB to Italian crime organizations.

The Republics of the former Soviet Union and the former Communist countries of Central and Eastern Europe represent a particularly attractive target of opportunity for criminal organizations. There is a lack of effective border control. The privatization process has opened the market for the laundering of drug money. The struggling economies in these countries provide criminal organizations wide open opportunities in many fields. In the drug trade, growing conditions are excellent for illegal drugs, particularly opium.

There are some specific indications of these general issues that I am talking about. Vitos—the distinguished Lithuanian journalist—was recently assassinated, apparently because he attempted to publish an article exposing Russian and Baltic criminal organizations. According to the Russian newspaper Komsomolskaya Pravda, opium cultivation has been made legal in Kazakhstan. Until recently, it was also legal in Kyrgyzstan.

According to Moscow's main Internal Affairs Administration, the trafficking of drugs in Moscow has risen by over 200 percent in the last half year. The number of drug users in the former Soviet Union, which was just over 1 million 3 years ago, is close to 8 million today. Criminal groups in Russia and other Republics of the former Soviet Union have transferred over $7 billion to Germany in 1992 alone. Police officials report that there are links between Russia's criminal Mafia organizations and Russian-speaking immigrant populations in the United States in locations such as Brighton Beach and other parts of New York and the East coast.

Let me say a word about Asian organized crime. The most influential of all the Asian crime syndicates in the United States are the Chinese triads. Arriving in the late 1800's, they have links with triads in Hong Kong, People's Republic of China, and Taiwan. A recent report prepared by the Royal Hong Kong police force indicates an alliance between influential leaders in the Hong Kong triads and officials in the Government of the People's Republic of China.

The most prominent triads operating in the United States include the Wo Group, which consists of 10 triads, the largest of which is the Wo Hop To triad, based in my district in San Francisco. Other triads include Hong-Kong-based Sun Yee On, the 14K Triad, the Luen Group, the Big Circle Gang, and the Taiwanese-based United Bamboo and Four Seas Gang. Unlike other criminal organizations, the Chinese triads do not compete with one another for their market share, except at the very lowest levels.

Although these Chinese triads are involved in various traditional criminal activities, such as illegal gambling, extortion, bribery and assassination, it is the international smuggling of aliens and heroin that are a particular threat to our Nation. Acting cooperatively, they have been able to create a highly sophisticated global transportation network. This transportation network has forged international smuggling groups capable of transporting both illegal aliens and heroin with an extremely high degree of success. Recent reports indicate that smuggling of Chinese aliens alone generates annual profits in excess of $3 billion every single year.

Let me say a word about the Colombian drug cartel. The main Colombian cartels are centered around various tight-knit families in Medellin. Due to recent Colombian law enforcement measures, including the effort to capture Pueblo Escobar, the Cali cartel has been able to capture most of what was previously the Medellin cartel's market in cocaine trafficking.

The Cali cartel is a complex framework of compartmentalized cells which are insulated from each other so that law enforcement actions directed against one cell will not affect the others. It controls nearly 270,000 hectares of land throughout the Andes and a network of laboratories and production facilities that produce about 900 metric tons of cocaine every year. Like the Chinese triads, the

Cali cartel possesses a superior global distribution network capable of successfully moving raw materials and finished products. The Cali cartel is the largest supplier of cocaine to the United States and Europe.

There is also evidence that the Cali cartel has extensive ties with other criminal organizations. For example, Operation Green Ice, a major money-laundering sting operation, documented large-scale sales of cocaine between the Cali cartel and the Sicilian Mafia. Since the collapse of the Soviet Union and the end of Cuban support, Sendero Luminoso—the Shining Path guerrillas in Peru—and the Revolutionary Armed Forces of Colombia, both of which adhere to Marxist ideology, have formed closer ties to the cartels.

These are just vignettes of what we are up against; and I think it is a remarkable indication of misplaced priorities that an issue of such enormous importance has received infinitely less attention in the media than the Packwood diaries, for instance, in recent days. There is no doubt in my mind that the relevance of these issues for our national security is of far greater consequence.

Today, I am delighted to welcome and introduce a very distinguished panel of internationally recognized experts. Dr. William J. Olson is Senior Fellow at the National Strategy Information Center in Washington, D.C., co-author of "International Organized Crime: Emerging Threat to U.S. Security"; Mr. Arnaud de Borchgrave, Senior Advisor at the Center for Strategic and International Studies, former editor-in-chief of the *Washington Times,* and former chief foreign correspondent of *Newsweek,* and a man whose contributions to fighting terrorism and international crime are well-known throughout the world; Dr. Rensselaer Lee, president of Global Advisory Services, scholar at the Foreign Policy Research Institute in Philadelphia, and a specialist on the problems of narcotics and crime; and Mr. Willard Myers III, practicing attorney with 26 years of experience in the fields of criminal, immigration and nationality law.

I would like to suggest to our distinguished witnesses their prepared statements will be entered in the record in their entirety, and we may proceed in a more informal fashion. We will begin with you, Mr. Olson.

STATEMENT OF WILLIAM J. OLSON, SENIOR FELLOW, THE NATIONAL STRATEGY INFORMATION CENTER

Mr. OLSON. Thank you, Mr. Chairman. I want to thank you also on behalf of——

Mr. LANTOS. Forgive me for interrupting you for a second. I forgot to mention the names of my outstanding staff who have worked on this hearing: Beth Ford, Dr. Bob King, Josephine Weber, Mike Ennis, and I want to make special recognition of our outstanding intern, Frank Cilluffo, who played an extraordinary role in preparing this hearing, as well as interns Jon Peterson and James Peterson. Dr. Olson.

Mr. OLSON. Thank you, Mr. Chairman. I also want to thank you on behalf of Dr. Roy Godson, who could not be here today, who is the president of the National Strategy Information Center. I want to thank you and the committee for holding this hearing. You are

performing a valuable service and we appreciate, very much, the seriousness of this effort.

Mr. LANTOS. Could you pull the mike closer?

Mr. OLSON. Yes. I have a formal statement, which I would like to submit for the record.

Mr. LANTOS. Without objection.

Mr. OLSON. And I will summarize our key observations.

We have, in the last several years, conducted wide research, and based on our own practical experience, we have discussed issues with the U.S. and foreign experts, police, intelligence analysts, scholars and others from most of the regions that we will be talking about today. The concern that they have expressed to us is reflected in the study that I think that you mentioned on international organized crime.

Based on these interviews and our personal experiences, we believe that we face a major threat to United States, international and domestic interests. Our conclusion is that international organized crime represents a new and serious challenge to the interests of this country at home and abroad. We believe that the extent of this threat is largely underestimated. It is our argument that only a consistent effort, sustained over time, can hope to meet this new and fundamental challenge to our values and our way of life.

I think all of us are aware daily that no society is untouched by crime. Crime is a constant, regardless of time and place. In most cases, societies are able to cope with crime and its consequences, tolerating certain levels of it. But under some circumstances, crime can break its bounds, causing great harm. Crime cripples and kills. It robs people of their lives and their livelihoods, their peace of mind, the security of their homes, and their neighborhoods.

While a major concern at any time, what alarms us is what we see as the increasing organization, professionalization, and internationalization of criminal activities at a time when the mechanisms for controlling them are in disrepair. In many states, the mechanisms are nonexistent, and basic capabilities to deal with large, well-equipped organizations is deteriorating.

When crime is organized and carried out on a massive scale of transnationality, when it can render local law enforcement efforts largely meaningless, and defy the ability of sovereign states to control them, then we truly have a problem of significant proportions. It makes our global village a dangerous neighborhood.

That is the situation that we believe we see in the making. It is not our view that we are not doing anything to respond to this threat. But it is our feeling that the threat is more serious than we are collectively aware of, and consequently, it is more serious than our present level of effort would suggest.

With that preamble, I would like to make three major points. First, I would like to note what we consider the characteristics of organized crime as apart from just criminal activity. We think it has four major characteristics. First, it is organized in the sense that it has a structure, a leadership, in many cases, a hierarchical system and that it operates over time. It is not ephemeral; it is a structure that operates year end and year out.

There is an important corollary to that, in that it gives such an organization the capability of learning from its mistakes of adjust-

ing to new situations. This means that organized criminal organizations are able to respond to what law enforcement efforts are taking against them; and because of that, they can survive. And that is why it is extremely important to sustain efforts; one shot efforts will not work.

Secondly, they are hierarchical, in that they have an organizational structure with divisions of responsibilities. They are engaged, obviously, in criminal activities in the societies, and internationally of what we are familiar with, and they are prepared to use violence and corruption to achieve their means.

We are also talking about international organized crime, and that also has certain characteristics. First, large-scale operations that operate across international boundaries at will, with a well-developed infrastructure that is able to generate staggering amounts of money, and also to develop great flexibility in their systems and diversity in their operations that also help protect them against law enforcement efforts. The difference between domestic organized crime and international organized crime might be summed up as the difference between a messenger service here in Washington, D.C. and Federal Express.

There are three major groups, as you noted, Congressman, currently that are at the top of the pecking order of organized crime: the Colombians, the Chinese triads, and the Sicilian Mafias. The Colombians and all of these groups tend to specialize, or have specialized in the past, in various areas of activity. But one of the phenomena now is they are beginning to diversify into other areas and into other kinds of activities to help protect their financial holdings and to evade law enforcement efforts.

One of the clear examples of this diversification is the move by the Colombians, for example, into the production and sale of heroin. You mentioned 200 and some thousand hectares devoted to coca cultivation. They now have somewhere in the neighborhood of 20,000 hectares of opium poppies cultivated in Colombia alone, with rumors that similar amounts may be growing as well in other parts of the Andes.

These three groups are, as I said, at the top of the pecking order. There are many others. And one of the features of organized crime is that over time, they tend to become larger and better organized if they are not dealt with, and that is one of the things that concerns us the most. They learn by doing.

The second major point that I would like to make is the feature of the present environment and what we see is happening in international organized crime. First, greater mobility in these groups, and mobility of money, assets and people; not only the people who work in the organized criminal organizations and their ability to move worldwide to carry out their activities or to evade local law enforcement, but also their ability to move people worldwide, the move into the modern form of slavery, the beginning of movement of people through alien smuggling operations.

We are familiar in this country with the Mafia moving people around to evade law enforcement. That is now beginning to happen on a global scale. We are also seeing in these organizations greater sophistication in their methods and in their capabilities; greater firepower—in some cases, they can outgun governments; greater

interconnectedness between these groups, and among them exploitation of better telecommunications technologies. And we are concerned, for example, that in the future, the exploitation of such technologies will render law enforcement efforts to monitor their activities increasingly difficult.

They are also engaged in a wide range of activities: from alien smuggling, to arms, to the exchange of technical information and, as noted, the possibility of engaging in the transport of nuclear materials. In effect, there is a degree in which a parallel international system is beginning to emerge in which terrorist groups, international criminal organizations, and guerrillas operating in sort of a quasi-world are beginning to develop interconnections among them to increase their effectiveness and their information base.

The third major point I would like to talk about is the consequences of these operations. Among these are the development of a system of corruption around the world, the ability of these organizations to buy off significant portions of governments, including legislators, in some cases, police departments, judiciaries. And when they cannot do that, then they resort to violence to intimidate these organizations into inactivity. But they are also in the process of corrupting social institutions in many of these countries, including undermining the very fabric of democratic processes.

You can see these kinds of things happening in the Caribbean. Some of the Caribbean states, the microstates, which, until recently, did not experience great levels of criminal activity on the part of organized crime, have, with the arrival of the drug organizations, seen an explosion of corruption and spread of domestic violence in some of these countries that is completely atypical.

Also, as part of this, you are seeing the spread of illegal activities of various types, with deepening effects on fragile democratic institutions in countries that are emerging into the democratic family. What this is also doing, as you see these criminal activities grow, in some cases, is that the only organized activities for economic gain is criminal activity, a process that undermines faith in democratic institutions, as well as their ability to function.

In addition to that, local criminal groups often outgun local security forces. They are better equipped and usually better informed. In addition, they are able to penetrate government, but more insidiously, they threaten the social fabric of these countries. Criminal activity on a massive scale creates an environment in which illegality becomes a norm and often the only means of getting ahead. In places like Russia, Eastern Europe, and elsewhere, our concern is that the situations there will become fiercer through despair.

The consequences of these circumstances is that they may opt once again for strongmen. The Communist motto at this point might be that a serious dose of capitalism of this sort, if this be its nature, will make better Communists for the future. What we are seeing overseas is a direct assault on the fundamental pillars of our foreign policy concerns, mainly the attack on our values and on the democratic system that we believe is the fate of all mankind.

But there is also a more direct threat here at home. Through guns and drugs and corruption in our society, the assault is both direct and indirect. Health care costs associated with crime, drug

use and criminal violence are staggering. It is beginning to penetrate businesses. And we are seeing the consequences of increasing violence on our streets.

The degree to which this penetration can undermine democratic institutions and affect the social fabric is clear to us, I think, in the situation that Italy now faces. That stands as a warning to us. There is no way to prove a negative. I cannot demonstrate that things in this country would be close to the Italian situation if we were not to take serious steps, but the problem grew worse in Italy because it was neglected. We have before us a visible example of how bad things can get.

In the early 1960's, President Johnson took steps to create in this country an effort to address organized crime. At the time, many people argued that there was no such threat and it was not important to deal with it. But President Johnson took the initiative, created an organized crime task force within the government that began 30 years ago the process that we are now seeing the rewards of, and that is the beginning of the dismantlement of the American Mafia. These were great steps and is one of the reasons, I think, that we enjoy today a better situation in regard to the activities of criminal organizations than many other countries.

But our concern is that a new twist has developed, and that is the internationalization of crime and the ability of criminal organizations to escape purely domestic or localized efforts. It is our belief that we need a more coordinated and coherent response, not just a government effort. We also need private sector support and awareness in the public. We need to address corruption, the integrity of our systems and our ideas, the security of our telecommunications systems. We need to address violence on our streets and drugs.

It is our view that there are two main choices that we have in terms of response. The first choice is what Will Rogers suggested, that perhaps our approach should be to legalize crime. Our second action, a more serious one, we believe is to take a series of steps to begin a process of developing a coherent approach. First, we believe that we need greater awareness of the nature of the problem. We need a comprehensive and sustained assessment on the part of our law enforcement and security agencies, on the nature of the problem both domestically and internationally to begin to document it in more detailed terms and to identify the key mechanisms whereby these organizations and their leaderships operate.

As part of the process, we also need to develop new strategies, and not fire-and-forget approaches. We need a sustained effort, sustained over time, sustained in this country and abroad. I recall a remark I made earlier about the reactive nature of the environment that we are dealing with. The criminal organizations are able to adjust to the measures that law enforcement takes and the government operations. We need to be able to adjust over time.

We need a multiagency and a multinational effort here and abroad. We believe that U.S. leadership in this context is extremely important to develop the environment of cooperation, as well as the actual instruments for cooperation in order to deal with this problem substantively. We need to address ways to prevent the fraud, and money laundering, which includes training programs, both for

government and the private sector. We need the legal framework here, which we have been developing, but also more important in countries abroad to address these kinds of problems, to give—to strengthen the ability of governments to attack criminal structures. And we need to consider disruption operations that do not just involve court actions, but engage in the ability to disrupt organizations through other means.

We must realize the extent of the threat we face, and that much of it lies below the surface. But we believe that we face an important set of choices. As Yogi Berra once said, "When you come to a fork in the road, take it." We believe that we have reached such a point, and we believe that the choice is obvious and that we need to take the appropriate steps. Thank you, sir.

[The prepared statement of Mr. Olson appears in the appendix.]

Mr. LANTOS. Thank you very much, Dr. Olson. Next, we will hear from Sir Arnaud de Borchgrave of the Center for Strategic and International Studies.

STATEMENT OF ARNAUD DE BORCHGRAVE, SENIOR ADVISOR, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. DE BORCHGRAVE. Thank you, Mr. Chairman. I believe that you summed up very accurately the dimensions of the problem in your opening statement, and so did Dr. Olson. So I am afraid you will have to forgive me for a certain amount of duplication.

I think it is extremely well-known that organized crime is a national phenomenon all over the world. What is less known, is the fact that it is now transnational crime; a new phenomenon that has been organized on a global basis through a variety of alliances between international crime syndicates whose chiefs are absolutely indistinguishable from anyone you or I might meet at a social gathering.

I agree with the Chairman, who said there are now summit meetings among these people. I know of one that took place in Prague a year ago, and of another that took place in Monte Carlo at the height of the social season last summer during the Red Cross Ball. The latter included a former KGB general who had chartered a yacht, and stayed at the Emitage Hotel with his cronies from all over the world.

Political corruption and organized crime are moving hand in hand as the former Communist countries try to democratize. International criminal activity is the world's fastest growing business since the demise of Communist government structures in the East, and also less well-known have started to fragment a number of states in the West, Italy and Belgium being two notable examples.

President Boris Yeltsin recently described his country as the world's largest Mafia state. The Italian Mafia, Colombian drug cartels, money launderers from Venezuela, Argentina and many other centers thirsty for foreign investment, along with very lax banking regulations, have established direct links with the crime bosses in Ukraine, in Russia, Kazakhstan, Romania and other former Communist countries.

International crime lords have become so brazen that they are quite literally carving up the globe into a variety of privileged sanctuaries, ranging from, as we know, narcotics, to counterfeiting, to

illegal immigration and as you mentioned, slavery in the form of teenage prostitutes sold from one country to another. I have in mind much more Southeast Asia in this respect, than Europe, where of course, I know it is going on, too.

We know, of course, about the Chinese gangs. We keep reading about how they smuggle 100,000 Chinese into this country every year. But similar rackets are taking place in all of the former Communist countries where forged documents are sold by former intelligence officers who have specialized in forgeries. Nigerian criminals, less well-known too, equipped with the latest high-tech paraphernalia, are masters at producing all manner of credit card forgeries. Iran is counterfeiting near-perfect $100 bills that have actually fooled 14 out of 15 French banks. Italy is now a different form of captive nation, as we all know, captive of the Mafia, which has spread its tentacles to the rest of the continent and beyond. German law enforcement officials have warned publicly about the corruption of traditional political parties, which I believe you referred to as corruption by organized crime emanating from other parts of the continent; and, of course, you have the Italian Mafia in mind—as the German law enforcement officials had.

Another less known factor in all of this is the fact that there are 20 million unemployed in the 12 European Community member states, with some 100 million affected—for the most part dependents—and this has created very fertile ground for the growth of organized crime. Almost half of them have been jobless for over a year, a rather propitious environment for international criminal organizations of all types.

In Italy, a country which appears to be fragmenting into three different regions, more than 2,000 top executives and politicians are in jail or under indictment, and this is a systemic crisis which has provoked widespread disenchantment with democratic capitalism—again, resulting in favorable conditions for more crime and perhaps a new form of Marxism or fascism in the future.

Cocaine seized by European customs authorities was up 42 percent in the first 6 months of this year. The abolition, apparently, of many of the European Community's internal frontier controls last January 1st evidently has given narcotic traffickers a much freer hand.

In the East, we see the emergence of what some have started to call a gangster state, inhabited by so-called gangster statesmen who thrive in an environment of civil decay. The mechanism is diabolically simple: create conditions of chaos and anarchy, and then exploit them; destroy or neutralize centers of legitimate power and then extract protection money from the defenseless. About 90 percent of private businesses in St. Petersburg today are paying protection to the racketeers.

Hitherto, gangster states were thwarted, as we know, by the rigidity imposed by the cold war. The Soviet Union, and its allies, and satellites and client states imposed ideology to maintain police states for the privileged few. As Dr. Arkady Vaksberg, a former criminal lawyer and much-feared investigative reporter in the former Soviet Union, wrote in his book, "The Soviet Mafia," from "the humblest in the farthest-flung outpost of the empire to those at the very epicenter of power within the Kremlin, the Communist

Party was a criminal conspiracy of cynical gangsters, the likes of which the world has never known. . . . The party was an odious sham,"—he wrote—"a catastrophic collection of privileged time-servers and incompetents, masquerading behind a morally corrupt ideology and bumbling the Soviet Union toward economic ruin."

But much of the apparatus that Dr. Vaksberg described in his book is still in place. Eleven out of 15 ex-Soviet Republics today are governed, ruled by the nomenklatura apparatchiks. We make a very grave mistake in assuming that with the Soviet Union gone and the Communist Party (CP) dissolved, all the successor states really want is freedom, and tranquility and prosperity.

Literally, tens of billions of dollars have been siphoned out of these Republics, you referred to this in your opening statement, in illicit sales of everything from precious stones and platinum, to enriched uranium and even, with all due respect, Mr. Chairman, plutonium as well, according to my European intelligence sources. In limited amounts, but nevertheless, it has occurred. A World Bank expert who tries to track these flows told me quite recently, that his estimate for 1992 alone was $13 billion. An investigator for a large U.S. bank, just back from his third trip to the Republics this year, confided to me last week that his current estimate is about $700 million a month.

These illegal flows are then laundered in off-shore banking centers and a variety of well-known countries in the West with dubious banking practices.

Narcotics traffic, traditionally viewed as the main source for the movement of illegal money, actually comprises only 40 percent of an estimated $1 trillion laundered and relaundered through Western economies annually. I know we have all been referring and using the figure of $300 billion, but that is the estimate, as I understand it, for what the U.S. underground economy generates per year, and I got confirmation of these figures from some rather high ranking law enforcement officials in Washington yesterday. It was already about $240 billion 12 years ago when I was researching a book on drug connections between Latin America and North America. The other 60 percent of the total being laundered stems from illegal arms sales, electronic fraud, which is also a growth industry, gambling and cross-frontier prostitution.

One specific example of very lucrative illicit gambling operation is the Yakuza, a notorious Japanese gang that launders an estimated $20 billion a year. Little, if any of it, comes from drugs. And that is just one of hundreds of criminal organizations with links to what we at CSIS call GOC, Global Organized Crime.

Of course, $1 trillion may strike many people as an exaggeration. But this should be seen, I think, in the context of 200,000 currency traders around the world who manage to move exactly $1 trillion every 24 hours.

Without the ability to launder money, GOC would be dealt a crippling blow. Much of the illicit money quickly becomes licit with the purchase of a newly privatized company in Argentina, for example, or a building in Caracas, or hotels that have been privatized in Greece, or anything else that happens to be up for sale.

My reluctant conclusion, Mr. Chairman, is that international crime pays, wicked global crime bosses flourish, and plundering on

a world scale has set new records. The international crime syndicates can afford the very latest—and this has not been mentioned so far—the very latest in every conceivable high-tech device, and are better equipped than law enforcement agencies, with the exception, of course, of the National Security Agency, which is not a law enforcement agency.

We are frequently asked about solutions to this spreading global virus. And I am afraid, as I think we will all agree, there are no magic bullets, but I think a top priority should be a more centralized enforcement structure "within the U.S. Government agencies, themselves, and between nations." And of course, we should establish new principals of international intelligence sharing, focusing on fighting global criminals in the post-cold war period. Thank you, Mr. Chairman.

[The prepared statement of Mr. de Borchgrave appears in the appendix.]

Mr. LANTOS. Thank you very much. Next, we will hear from Dr. Rensselaer Lee III, President of Global Advisory Services. Dr. Lee.

STATEMENT OF RENSELLAER LEE III, PRESIDENT, GLOBAL ADVISORY SERVICES

Mr. LEE. Thank you, very much, Mr. Chairman. I am going to address my remarks to the question of organized crime in the form of——

Mr. LANTOS. Could you get the mike very close to you?

Mr. LEE. OK. To the question of organized crime in the successor states to the Soviet Union.

Now, organized crime, of course, is not a new phenomenon in Russia and other former Communist states. But with the very sudden demise of the Soviet empire, and its ongoing and very difficult transition to a market economy, and the opening of borders to the West, organized crime in the East has acquired awesome and malevolent dimensions.

Some 2,500 to 3,000 criminal formations operate today in Russia alone, engaging in such activities as drug dealing, extortion, kidnapping, bank fraud, counterfeiting, contraband exports, contract murder, and trafficking in dangerous weapons and components. In Russia, the collapse of the control system that existed in Communist times has been associated with the phenomenal expansion of extortion and protection rackets; the growth of almost unrestricted markets for weapons, munitions and narcotics; and the spread of corruption to the top-most levels of Russia's political and military establishments.

The widening influence of organized crime, of course, represents a very significant and possibly lethal burden to the former Soviet Republics, which are staggering under the multiple challenges of creating a functioning private economy, nurturing a young democracy and developing a new political system. But if organized crime in Russia and other successor states threatens stability and reforms in these states, it also has very important and very serious, I think, implications for the international system.

Consider, for example, the growing international reach of criminal organizations headquartered in Russia and other former Soviet Republics. Mr. Congressman, you mentioned that between 1988

and 1992, some $7 billion in organized crime funds were transferred from the Soviet Union to Germany. Mafia groups comprising ethnic Russians, Chechens, Azerbaijanis, Georgians and other nationalities from the former Soviet Union have entrenched themselves today in Helsinki, Prague, Warsaw, Berlin, Frankfurt and other European capitals. Such Mafias have also established roots in Tel Aviv and Haifa, and are active in U.S. cities such as Philadelphia, New York and Los Angeles.

The export of Russian crime is producing predictable increases in homicides, racketeering, prostitution, drug abuse and official corruption in the affected countries. In Germany, some 30 Russian organized crime groups now operate, according to the authorities, and some of these comprise more than 300 members. According to a recent article that I read in Izvestia, quoting a German source, almost one-third of all crimes committed in Germany today are committed by immigrants from the former Soviet Union.

Russian crime groups and their international criminal partners are striking increasingly sophisticated deals. The unprecedented seizure of a ton of cocaine earlier this year near the Russian-Finnish border suggested a maturing relationship between Russian syndicates and the Colombian cocaine cartels. Russian criminal enterprises have begun shipping high quality Asian heroin to the United States, to U.S. distribution networks, possibly portending explosive exports of drugs produced in the former U.S.S.R., such as hashish, marijuana, opium, methamphetamine and synthetic opiates.

There are some press reports that suggest that Russian and international crime syndicates have bargained to exchange stolen cars, computers, and computer parts for Russian drugs, prostitutes, strategic metals, rockets, missiles and nuclear materials. There are reports, and you mentioned these reports Mr. Congressman, of recent crime summit meetings in Warsaw and Prague between Russian underworld groups and representatives of all three principal Italian organized crime groups. Apparently, the purpose of these meetings was to discuss various money laundering ventures, as well as the expansion of trade deals for narcotics, weapons and atomic bomb components.

The very startling appearance in the last couple of years in Western Europe of substances such as plutonium, enriched uranium, strontium, cesium—to date in admittedly rather small quantities—all of this, I think, highlights organized crime's successful infiltration of military and industrial institutions in Russia and possibly other nuclear successor states. In 1992, police in Germany reportedly confiscated some 18 shipments of nuclear bomb materials, material smuggled in from the former U.S.S.R. This nuclear trade, and I want to stress this, is apparently extremely profitable. A kilogram of enriched uranium 235 sells in European markets for $1 million, 20 times the European price of a kilogram of cocaine, and 50 times the purchase price of the material in the Urals.

Perhaps the military significance of this traffic is comparatively minor to date. But what does the leakage of nuclear materials say about the state of controls in post-Soviet defense establishments over the estimated 30,000 warheads in the territory of the former U.S.S.R. or over stockpiles of other types of lethal weapons?

78-114 O - 94 - 2

Now, the growing power and reach of organized crime in the former U.S.S.R. seems likely to jeopardize international stability and aggravate East-West relations on a number of fronts. Of course, on a more general level, flourishing organized crime in Russia and other newly independent states threatens basic Western interests in the emergence of a stable, legitimate political-economic order in post-communist Eurasia. But certain specific consequences can also be noted. For example, the export of Russian crime and drugs to neighboring European states could set the stage for retaliatory customs and immigration barriers that would set back the cause of European integration.

I spent a lot of time recently in Western Europe interviewing police officials, people who were concerned with these kinds of problems, and they have even expressed open nostalgia about the cold war era, when the NATO-Warsaw Pact confrontation effectively insulated Western societies against the criminal underworld in the East. Also, violent protection gangs that operate in Russian cities could slow foreign investment, complicate the implementation of foreign assistance programs and, in general, generate anti-Russian sentiment in the West.

The illegal trade in weapons and nuclear materials is, I think, going to have the effect of preventing normalization of East-West technology exchanges, and also will obstruct meaningful arms control agreements by casting doubts on the new states' ability to monitor and control stockpiles. Similarly, organized crime's penetration of military defense establishments increases the likelihood that sophisticated weapons and technologies will become available to aspiring nuclear nations, or even to malevolent free agents, such as the Sicilian Cosa Nostra or the Medellin Cartel.

I would argue very strongly on the basis of what we see here that U.S.-Western diplomatic priorities, foreign aid programs and intelligence objectives vis-a-vis the former Soviet states must be reconfigured to address these emerging and very disturbing scenarios. More generally, the United States needs to develop an international crime policy. Our global agendas and security doctrines continue to be wedded to the idea that the only important international transactions are those that occur among nation-states. We must begin to redesign our arsenal of foreign policy tools to counter the very complex challenges posed by nonstate actors to Western security and democratic values.

The alternative, I think, is increasingly ineffectual responses to the increasingly unstable patterns of change that characterize the international system in the post-cold war era.

Thank you.

[The prepared statement of Mr. Lee appears in the appendix.]

Mr. LANTOS. Thank you very much, Dr. Lee. Mr. Myers you may proceed.

STATEMENT OF WILLARD H. MYERS III, DIRECTOR, THE CENTER FOR THE STUDY OF ASIAN ORGANIZED CRIME

Mr. MYERS. Thank you, Mr. Chairman.

I would like to begin by echoing the remarks that you made that this field is largely ignored, and nothing has been more ignored at any level than the smuggling of Chinese aliens. I would not be sit-

ting here this morning if we had not, and I had not perceived this problem emerging starting back as early as 1986. And I presently have the only comprehensive database that exists in any government anywhere on this problem, and that is a fairly sad commentary.

We come to this because we were shocked and scandalized by the disorganization, lack of perception, and lack of direct action by our Government to the threat that was perceived by Chinese alien smuggling. And I would like to suggest that that threat has largely been misunderstood.

Now, I noted in your remarks that you indicated, of course, the human rights implications involved in the movement of Chinese, etc. That is a very popular conception on the part of law enforcement, but it is totally unsupported by our data, and I would point out to you that our data comes from the individuals who are the victims in this smuggling trade, as well as the perpetrators of the smuggling.

I believe that we need to understand that the real threat to the integrity of the United States is a twofold one. We have an enormous population in China that has been displaced by the growing economic development along the South China coast and that will be widespread as China comes into the post-industrial age. The movement of these peoples to the United States and to other countries of the world, unlike drugs, people can change the culture, economy and institutions of a country. Low density population countries, for example like Canada and Australia, are already perceiving this real threat to their existence. And I would suggest to you that that is a fundamental threat that we must recognize and confront because this is only the leading wedge of what we are about to see.

The second threat is that these organizations, and I will speak in more detail about them, have demonstrated that they can accomplish something that our military or Central Intelligence Agency could not accomplish, and that is to move annually 100,000 people per year by air, by sea and by land virtually unimpeded by any agency of our Government, put them in the United States, secure illegal documentation for them and settle them within this economy. I cannot think of a government that has the capability to do that. But that is precisely what is going on. And it is being accomplished largely by an organizational method that is not being recognized by international law enforcement.

You mentioned the triads. But the triads do not commit crime, they benefit from its commission. The Chinese triads represent a tremendous global resource of information and political influence. The crime and the movement of aliens is being perpetuated by persons who are affiliates and acting as principals on their own behalf. We have, after more than 4 years of work, identified the principal perpetrators as being Taiwanese nationals.

And by way of example, in the face of the Clinton administration's efforts announced after the arrival of the Golden Venture and their recent pronouncement that was published in the *Washington Post* only 2 days ago, we see the arrival of a boat in Puerto Rico coming through one of the two main smuggling organizations, and another boat arriving in El Salvador containing 200 Chinese, two

more boats off the northeast coast and two off the west coast, all giving lie to the notion that the efforts that have been undertaken thus far have effect.

Let us talk briefly about how these organizations function. The target country is the United States and the source country at the moment in the province of Fujian lying in Southeast China. The recruiters, if you will, those who initiate the smuggling, are either persons of Fukienese origin, who are entrepreneurs in their own right, or they are large Taiwanese organizations, who utilize Fukienese recruiters to bring persons into the flow of smuggled aliens.

Currently, we have identified two central nodes of these organizations. One we have information on since 1965. It has been in existence in Bolivia and it has transnational links with China, Hong Kong, Vietnam, France, Peru and all through Central America. The second organization is a newer one, which has essentially assembled components from prior smaller organizations. That one is based in Guatemala and it has operational links to the Caribbean basin, France, the present Soviet Union—or former Soviet Union, and throughout Hong Kong, China and the Far East in general. These two organizations operationally are linked to a larger, but as yet unidentified organization in Taiwan. It is not the triad organizations that we have identified in Taiwan.

These organizations have provided the political influence, the power to make smuggling by vessel a reality. Prior to the entrance of these organizations, boat smuggling was a part-time disorganized phenomenon. Now, it is a highly organized phenomenon using cargo vessels and most recently, using cargo vessels and smaller vessels to transport aliens to offshore islands, to other locations to be picked up by legitimate cargo vessels, making the tracking of these vessels very difficult.

However, our focus has been on the smuggling of vessels. It is the one that we see the most. It is the one that has galvanized the American public. The specter of the Golden Venture brought across our television screens on that Sunday morning, that is what prodded the Congress to act, quite frankly. However, that, by our data, constitutes only 8 percent of all of the Chinese who are smuggled in annually. The most important routes are the land routes through Mexico and the air routes into the United States.

And our data show that despite all of the efforts undertaken, there has been no—absolutely no diminishment of the number of Chinese coming to the United States. And despite the Clinton administration's announced policy of detention, it is not being followed because quite simply, there is no detention space available to detain people.

The real question I think we have to confront is what do we do about this? How is it operating? What we have been able to determine is that this global transportation network could not and would not function without the cooperation of overseas Chinese business persons. They represent the pearls in a strand or links in a chain. They are part-time criminals, only they do not even perceive themselves as such. They see themselves as making a very good profit from a business which all feel is fair.

It is these people providing a room here, a room there, documents, import/export businesses that make this function. I can give you a very small vignette. I am an international bird watcher, and I was in Puno, Peru, which is at the shores of Lake Titicaca, and I went into a very small Chinese restaurant and there were six smuggled aliens high up in the Andes. That is a very small example of how these little, tiny businesses formed global links to make this operational.

In order to confront this threat, we have to move internationally, and that is something the United States has not done. The recent incident, for example, with the three boats in Mexico practically caused an international incident because we are attempting, as a country, to utilize our power to force those countries, who are not impacted directly by this, to stop the flow of these aliens. To echo what the other panelists have said, we simply must present this problem as a problem of irregular migrant population movement, and we must approach this on an international level at the United Nations.

In a parallel fashion, we need to go to that body and say the smuggling of people is an international crime to be suppressed by all nations. The integrity of our borders is important to all nations. And we have to begin with a framework that declares this to be a global problem.

The present efforts of the United States are totally ineffective, and will remain so. And in the meantime, the organizations that are moving these individuals continue to gain strength, gain financial resources, and move, although small in number, parts of their organization to the United States. Thank you, Mr. Chairman.

[The prepared statement of Mr. Myers appears in the appendix.]

INTERNATIONAL CRIMINAL ORGANIZATIONS AND REACTION OF GOVERNMENTAL AGENCIES

Mr. LANTOS. Thank you very much. Well, let me just say that all four testimonies have been extraordinary; and we will do our best to give this the widest possible circulation, both within the Congress and in the country.

I would like to begin with a general question, and I would be grateful if any or all of you would react to this. What we have been hearing has been a horror story. It has been a horror story of hundreds of thousands of illegal aliens being smuggled into the country, vast drug movements, money laundering, potential sale of weapons materials that could be used for building highly sophisticated nonconventional weapons.

Clearly, our governmental agencies, from Janet Reno to the immigration officials, drug control officials, and military, are to some extent aware of this. Gentleman, why are these organizations as successful as they obviously are—you are talking about billions, and tens of billions, and hundreds of thousands of people? And, why are the results apparently as puny as they are? You want to begin, Mr. Myers?

Mr. MYERS. Mr. Chairman, my reaction to that is——

Mr. LANTOS. Let me first ask you: do you agree with my premise, that Janet Reno knows what you have told us? For her people know——

Mr. MYERS. Mr. Chairman, from our perspective, we have visited virtually every area of the Government of the United States concerned with the alien smuggling problem. And with few exceptions, they all know the dimensions of the problem. But what we have seen is there is no intra-agency cooperation. There is no intra-agency communication.

Mr. LANTOS. Let me stop you there. Are you suggesting that our intelligence agencies know, but our enforcement agencies are not plugged in?

Mr. MYERS. I am suggesting that they each have a piece of the puzzle; some of them have larger pieces of the puzzle. But they do not talk to each other; nor, for example, and to take the Immigration Service, with which I am very familiar, does the intelligence agency sitting at the top of that organization talk to its field people.

Mr. LANTOS. Well, this subcommittee held hearings on the subject of the blind Egyptian cleric and how he was granted repeated visas after other entities within our Government put him on the watch list so that he would not get any visas. So we are with you on that fully.

Mr. MYERS. Well, Mr. Chairman, I recently had a conversation at a high level with one of our security agencies, and they indicated to me that they had done a survey of the existing databases concerning the problem of alien smuggling. They found six parallel databases with no sharing of information between the two and much duplication.

One of the very powerful suggestions that I have been making for more than 4 years is there must be a central database——

Mr. LANTOS. Of course.

Mr. MYERS [continuing]. To which every organization that collects data contributes, and to which every organization may draw. We need to have in government to confront this problem, President Clinton's data information highway. And quite frankly, it does not exist.

This is a dynamic area. These organizations are literally able to react to law enforcement efforts over night. For example, in the smuggling of aliens by ship, we—we and the Immigration Service, the Coast Guard are aware of clandestine radio stations between the United States and the ships at sea using signal sine band radio capable of reaching well out thousands of miles into the Pacific to tell those ships what law enforcement efforts are going on.

For example, when the three ships were seized by the United States, there were two more waiting. And what were they waiting for? They were waiting to see whether those ships would land on U.S. soil. And after the 5 days of negotiation, they turned around and went another way, indicating the kind of sophisticated communications that exist.

And by comparison, we are not communicating at all. We must have the capability in real time to post information and to have agencies react to it. Intelligence information from Hong Kong, for example, or from China may not penetrate down to the level where it is needed, at the enforcement level. We have had numerous instances where high-grade information has come in from China and

it has not gotten to the Immigration Service anti-smuggling units in time to stop the entrance of the people coming in.

Mr. LANTOS. So your basic point is that various entities within our Government do have good intelligence, but this good intelligence is not put into an operational framework.

Mr. MYERS. That is correct.

Mr. LANTOS. Dr. Olson.

Mr. OLSON. I think it was de Tocqueville who remarked that nothing is more difficult to appreciate than a fact. It is not that there are people in government who do not have information on this. In fact, it is not a case that the information is not shared. A great deal of information sharing, I think, goes on. But there is somehow a mistaken belief that sharing information is doing something. The problem that we face in this is like the blind men and the elephant: everyone is perceiving a different part of the problem, and that the comprehensive view of what that problem is is not what is being developed. And because the view is not there, the necessary actions are not there.

This is one of the issues that we face. We are talking now about Asian smuggling. It is our view and our concern that while Asian smuggling is a problem, the issue, in fact, is how to deal with the organizations internationally that are doing this; not with the smuggling, itself. You cannot begin to deal with the problem until you begin to deal with its source and its essential nature. And what we have tended to do in the past is underestimate that threat, to view it as part of other threats or concerns.

We are in the process now of trying to shift our view of the world and what constitutes the kinds of things we need to deal with, and we are caught at the moment between two stools. What we need is a clearer focus on what, in fact, are the real threats that are posed by these organizations.

Mr. LANTOS. And which agency is to provide that clearer focus?

Mr. OLSON. You need cooperation between—among the law enforcement agencies in this country on the kinds of programs they are working on, and between the law enforcement agencies and the national strategy community, between the intelligence community, Department of Defense, the Department of State. Because, the problems are international, they are comprehensive in nature, and we need to begin to break down this compartmentalized view, and to some degree, to address the problems of how to deal with interagency coordination.

But the problem is even more complex than that because once—if we can do that, we then face how to translate this kind of cooperative environment and comprehensive understanding onto the world stage. Because, again, the international organizations are able to move at will beyond borders. If we confine our efforts only to the United States, we cannot begin to deal with this problem. It has got to be an international effort.

Mr. LANTOS. Mr. de Borchgrave.

Mr. DE BORCHGRAVE. Mr. Chairman, I had a very disturbing conversation yesterday with a very important law enforcement official who happens to be a specialist in current international organized crime. When I checked some of the things that I was going to be talking about this morning, not only was I on target, but he has

a lot more information. But I said, "Why don't you testify," and he said, "I wouldn't be allowed to by my boss." I said, "Why not?" He said, "I really don't know, but all I would be allowed to do is testify the party line." And I found that a rather disturbing exchange.

Within the United States, as you know, the drug enforcement agency looks at money laundering as an after-product of drug transactions. IRS and Customs regard money laundering as an independent crime. But the IRS, which I think has the best tools and trained agents to focus on money laundering is committed to confronting tax evasion, Title XXVI. And it has only been in recent times, incidently, that the FBI, itself, started looking at money laundering as a crime unto itself.

I think that the National Security Agency—not only do I think, but I know that the National Security Agency has the tools to track these incredible—they are not called wire transfers any more, but computer transfers. The new super computers, Mr. Chairman, are capable of doing 360 billion moves per second. That is about 64 moves per inhabitant in the planet today. So the tools are there. But as you know, the NSA is very reluctant to unveil anything that might reveal its collection methods.

Mr. LANTOS. Dr. Lee.

Mr. LEE. I think some of the problem that we face is really conceptual. We are still, I think, used to looking at the world as a collection of nation states. But now, we see that looking at the former Soviet Union—and not just the former Soviet Union, but at other parts of the world—that nation states are disintegrating.

What do we see emerging in place of these entities? I think that looking specifically at the question of the former Soviet Union, many of the people who have been trained in Soviet studies and Russian studies, again, have been trained in many of the stereotypes of the cold war period, and have not really looked very carefully at the underbelly of the system. I think that the types of concerns that occupy American policymakers on the Soviet Union are questions of economic reform, democratization, disarmament, to some extent, ethnic unrest. But in fact, organized crime cuts across all of these major issues.

We have got to make crime a very important, priority in our diplomatic agenda vis-a-vis the former U.S.S.R.

Mr. LANTOS. Are you suggesting that while people are aware of the fact that the multinational corporation is the dominant phenomenon of international business life, that there is no understanding that transnational crime is the dominant form of crime globally?

Mr. LEE. I think this understanding is just beginning to emerge. As I understand, there has been a recent attempt to develop a global crime office in the State Department. But I think that this type of initiative needs to be given a lot more support and needs to move ahead a great deal faster. This concept of transnational crime and cooperation among criminal organizations is something that is very new. But we need to develop the tools to deal with this phenomenon very quickly.

THE SITUATION IN ITALY

Mr. LANTOS. Now, several of you gentlemen mentioned the case of Italy. Here you have a Western political democracy with a reasonably high level of living standards; part of NATO; part of the European Community; and by almost any reasonable yardstick, a highly developed society with a great tradition of culture and civilization. You mentioned, Mr. de Borchgrave, there are something like 2,000 public officials and business leaders in prison, and there is sort of an unraveling of the whole social fabric. To what extent did this come as a surprise to the four of you who deal with these issues on a professional and regular basis?

Mr. DE BORCHGRAVE. Mr. Chairman, I have known Giovanni Agnelli, the head of Fiat for many years. In fact, I was with him when he was negotiating the—plant with Viciani, who, at that time, was Kosygin's son-in-law back in 1965.

Mr. LANTOS. Yes.

Mr. DE BORCHGRAVE. It has been no secret for many of us as to how the system worked. As a matter of fact, that is when I first discovered that 5 percent of all trade between Italy and the Eastern countries automatically went to the Italian Communist Party. And it was like that, as we subsequently discovered, for all parties—for public works, contracts. The Socialist Party would get the airport say in Milano, and another party would get the railroads. And that is how the system worked.

I think what happened is that at the end of the cold war, the judiciary decided to blow the whistle. They felt they could do it with impunity and that the country would not fall apart. Before that, they were reluctant because of, as I mentioned, the cold war discipline.

Mr. LANTOS. Dr. Lee.

Mr. LEE. I just came back from 10 days in Italy. I was over there doing a research project on cooperation between the Colombian cartels and the Sicilian Cosa Nostra. I went to Sicily during this period——

Mr. LANTOS. Could you put the mike a little closer?

Mr. LEE. Yes, I am sorry. I went to Sicily during this period and I had a rather lengthy interview with Gian Carlo Casselli, who was the chief anti-Mafia prosecutor now in Palermo, and who is the replacement, I believe, of Giovanni Falcone. I asked him about how Italy was doing in the struggle against organized crime. And despite the fact that the press has taken a fairly optimistic tone and noted, of course, the prosecution of a number of corrupt judges, business leaders, Casselli's particular outlook in the situation was very grim. As he put it, "We have done almost nothing to touch the basic infrastructure of the Cosa Nostra in Sicily. We can put people in jail, but they are still able to run their businesses successful, almost without hindrance, from incarceration." The situation in Italy is bad and I think it is probably even deteriorating.

Mr. LANTOS. Dr. Olson.

Mr. OLSON. We have begun work on issues related to the nature of the problem. The unraveling of government worldwide, the ability of governments to govern, we believe, is one of the fundamental crises that we are going to face in the future. And one of the things

that has contributed to that process is the rise of organized criminal groups in many of these countries.

There has been a tendency, and Italy is an excellent example, to discount or underestimate the problem; that you deal with other issues and that this one cannot reach such a level as to threaten the integrity and security of the state. Now, we were not surprised that this happened. We were somewhat surprised at the speed with which things have come unraveled. But it is a clear indication of just how serious this threat has to be taken, in this country, where we took steps 30 years ago to begin to deal with that problem, but increasingly in country after country. We need an awareness of how these organizations can penetrate government and undermine institutions, deprive people of the confidence that they need for government to survive.

Mr. LANTOS. Mr. Myers.

Mr. MYERS. Mr. Chairman, that is a topic that is a bit outside my expertise. But I would simply add the following comment: that Italy represents a country and a culture, as Dr. Olson said, where crime has become a part of the fabric of the culture. And it has been allowed, of course, to reach such a level and such an organization as to threaten the existence of the government. We see parallels to that within the Asian culture, where crime, of course, in the triads have been in existence for some 400 years. And much of what we consider to be criminal in the West, is simply a way of doing business in the East. And I think that perception, coupled with the international threat, has to be understood. And Italy is a glaring example, of course, in Western Europe.

THE GLOBAL PROBLEM OF MONEY LAUNDERING

Mr. LANTOS. Are there any specific suggestions any of you gentlemen have with respect to the global problem of money laundering? Anybody. Mr. Myers.

Mr. MYERS. Well, Mr. Chairman, from our perspective, the Chinese do not launder money. They simply move it in bulk in cash. We are not seeing any kind of traditional money laundering activity at all. We know of an example of $10 million being moved in suitcases from the United States back to Bolivia. So in this area, the Chinese deal in cash and continue to deal in cash. They are not repatriating or laundering their money.

Mr. LANTOS. Well, the North Korean population living in Japan, closely tied to the Government of North Korea, does the same thing. They carry large quantities of cash from Japan to North Korea. This constitutes a significant portion of the foreign exchange of North Korea with which it buys all of the essentials that it so desperately needs. So this is not unique in Asia. There are other areas where laundering is not used. You deal with the real product.

Mr. MYERS. That is correct.

Mr. LANTOS. Yes. Dr. Olson.

Mr. OLSON. The area of financial fraud and money laundering, in fact, is one of the bright spots in terms of international efforts, especially among the G–7 countries to try to deal with it. The establishment of the Financial Action Task Force by the G–7 summit in Paris in 1989 came forward with a regime and a series of rec-

ommendations on how to be more effective in controlling international illegal financial transactions.

But the problem that we face now, and as noted by several of the people on this panel, is the ability of the drug trafficking or criminal organizations to adjust to changes. It's a case where by the time you figure out what the answer to the problem is, somebody changes the question. Drug traffickers and others have been able to adjust to the kinds of things that we have done to try to meet financial action—illegal financial action transfers. And changes now in telecommunications technologies are going to increase their ability to translate money into electrons, move it to various places around the world. Our ability to keep up with that internationally, I think, is in question now.

Also, the development by the Chinese or others of informal or nonmainstream banking systems, which are able to move money or to move them into commodities in ways that are increasingly difficult to track. These are areas that are becoming essential for us to begin to deal with. The whole area of the sort of casas de cambio on the borders of various countries within major metropolitan areas is another informal system that, in fact, the major governments have not been able to address, and it operates outside the major systems of financial action transfers.

Mr. LANTOS. Dr. Lee.

Mr. LEE. We have seen a certain amount of progress in setting up money laundering control regimes, of course, in the United States, and a few Latin American countries, and in the countries of the European Community. The trouble is that there are great holes in this net; and one of the big holes, of course, is in the countries in Eastern Europe, and especially in the former Soviet Union. And now, we see evidence that the Colombian cartels and Italian criminal organizations are now setting up operations in these countries to buy—to, in fact, launder their money by buying Russian commodities, such as oil, strategic metals and exporting—buying these commodities up at very cheap prices, exporting them to the West and, in fact, contributing to the capital flight problem in Russia.

So I think that one of the major priorities of our diplomacy should be to help the Russians and other former Soviet states to understand the concept of money laundering, its importance, its seriousness, and to set up regimes in their banks to try to control this phenomenon. This, I think, will admittedly be rather difficult because many of the commercial banks in Russia are, in fact, at least this is my understanding, controlled by organized crime.

Mr. LANTOS. Mr. de Borchgrave.

Mr. DE BORCHGRAVE. Mr. Chairman, I asked a friend of mine, who happens to be the CEO of a major private bank in Geneva, how he could check whether or not funds flowing through his bank were laundered money or not, and what he did about it. And he said, "Well, if we have, for instance, a Venezuelan client who transfers every month $500,000 and I see that the amount suddenly goes up to $5 or $10 million, I would then give him a call and ask him for an explanation. And if I am not satisfied with the explanation, there isn't much I can do about it, except to close the ac-

count and lose a client." In other words, he does not do anything about it.

THE ILLEGAL TRADE OF ANIMALS

Mr. LANTOS. One of the relatively recent phenomena in this whole field of criminal organization activities relates to illegal animal trading. My information is that this enormously profitable venture amounts to about $5 billion a year. Would any of you care to share any insights you may have with respect to this item?

Mr. OLSON. I am not well-versed in the movement of animals, but there is an important point, I think, to draw from this: that is that the criminal organizations are ready, willing, and able to involve themselves in a whole range of illegal activities that will draw a profit. That is their underlying motive. And whether it is nuclear weapons or whether it is trade in animals, the issue for us and for the international community is what kinds of things do we need to be doing in order to deal with the organizations that are capable of these kinds of activities.

EVOLVING STATES AND CIVIL DECAY

Mr. LANTOS. Anybody else on this? You mentioned, Mr. de Borchgrave, that with the coming of the gangster states, there is a civic decay. If you were put in charge, whatever the office may be in the United States, what would be the avenue you would explore with countries where the gangster state is in the process of evolving? What would you tell them? What could you offer them as help or advice or legislation?

For instance, would an improvement in extradition treaties be a step in this direction? We have now had a number of cases where we could not get people extradited who are involved in international crime for a whole series of reasons. Would you offer technical advice? What should the American Government do, or what can the American Government do if it is approached by a newly democratizing country that is up to its neck in illegal activities—say Bulgaria. If the Government of Bulgaria comes to us and says, "This is a new day. We want to build a legal democratic law-abiding society. We have an enormous background of selling arms to Libyans and acting as a drug transhipment point, and we have been engaged in all kinds of things for decades." How could or should our Government respond in a case like that?

Mr. DE BORCHGRAVE. It seems to me, Mr. Chairman, that there are many potential Falcones, very brave people who are very concerned in all of these states with the growth of transnational global organized crime.

Mr. LANTOS. I am sure of that.

Mr. DE BORCHGRAVE. I know they exist. And it seems to me we have to change our whole approach to the intelligence community, which through the cold war, as you know, was on a need to know basis and on a bilateral basis. We have to move toward a multilateral basis with like-minded people. I think history has taught us that it takes a very small group of women and men to change the course of history.

Mr. LANTOS. Dr. Lee.

Mr. LEE. I think certainly, you mentioned technical assistance, Mr. Congressman. I think that this is, of course, something that we can always discuss and try to implement. But I think really the first step, particularly looking at a number of the states of the former Soviet Union, is legal reform. And by legal reform, I mean building up the laws, the legal codes, legal institutions that will enable the governments to go after criminals. And right now in these countries, the legal system is a product of the totalitarian period when there was never really any good, sophisticated development of criminal law.

There is no good law against corruption, for example, in Russia; no good laws against embezzlement; conspiracy laws are very weakly developed. So it is difficult for the police to catch the ringleaders, the brains behind criminal operations. The people they arrest are the people that are actually carrying the drugs, not the people who make the decisions. There are no witness protection programs. These types of changes, I think, will be a very important prerequisite for more successful crime fighting in these countries. Not, of course, the only prerequisite, but this is something, I think, where we can help and maybe get a fairly quick return on our assistance.

Mr. LANTOS. Dr. Olson.

Mr. OLSON. It is interesting, in our good-hearted way, whether it is the former Soviet Union or many other places, that we rush to provide economic assistance, to a degree thinking that if we help the economies develop, that this will solve many problems. And what we forget, and particularly in the case of the former Soviet Union, but in other areas as well, is the institutional development that must be in place to handle this kind of change and to deal with the kinds of problems that economic development is likely to bring. What you find in many of these countries is that the institutional capabilities to deal with the threat of organized crime are simply not there.

And so, the kinds of programs that can be put in place that deal with them run a range of——

Mr. LANTOS. Is this problem that you mention a unique problem, or is it part and parcel of the dismantling of the whole police apparatus? One of the things that is so obvious to those of us who have been going to Eastern Europe and the former Soviet Union for decades is that following the collapse in 1989 and 1990, the police became intimidated because the police used to be part of the previous regime's weapon in dealing with its people. And, since police at the lowest level did not want to be accused of being a remnant of the old regime, the police became fearful even to catch ordinary street criminals. There is now a growing recognition in countries like the Czech Republic, and Poland, and Hungary and others, that they have to rebuild both an intelligence apparatus and an effective police apparatus because no modern country could function without this. Is this part of the problem?

Mr. OLSON. Yes. This goes straight to the heart of the institutions that you need to have in place in order to deal with the problem. And a great many of the institutions from the old regime have collapsed, and nothing is in its place. Or if they are in their place, they are undermanned, underfunded, undertrained, underequipped,

so that criminal organizations are able to dispose of money to buy whatever they need, facing police organizations or judiciary systems that, in fact, cannot even begin to compete.

And so, a program to address organized crime has got to help build up those institutions. This ranges from improvement in the legal structure, so that the courts and the police have the power to do certain kinds of things: to confiscation of assets; to, like our RICO statutes, to be able to deal with conspiracies, which many countries do not have; to help develop informants and the use of informant networks, which many countries do not have the legal framework to do. You need to be able to support police training, and for investigations, and, again, the whole range of things: on investigation techniques, on the protection of information, on how to make cases so that these can be brought to trial so that the criminals can actually be prosecuted under the new legislation with some chance of success.

And this is true in country after country after country where these kinds of things need to be put into place. And those are the kinds of things, in fact, that we are very good at and we have the capabilities to do, if we have the focus and the determination to do it.

Mr. LANTOS. Mr. Myers.

Mr. MYERS. Well, Mr. Chairman, very briefly, I agree with the fellow panelists that the empowerment of institutions and assisting these governments in defining that which is criminal, which was not formally criminal, is the most significant contribution, perhaps, that we can make. But I would like to pose a question. These emerging democracies from the former Eastern Bloc, perhaps represent an easier problem to deal with than the more mature democracies that are being corrupted throughout South and Central America and Southeast Asia. I, quite frankly, find that a much more difficult problem to understand the contribution that the United States can make, since in your question you have presumed a government that has come to us and said, "Assist us."

Quite frankly, we are in a position, from my perspective in many cases, of going to those governments and saying, "You need our help," and the institutions being in such a state of decay and corruption that they are saying to us, "We don't want your help." I think that, from my perspective, is a far, far more serious problem. How do we, as a government, confront in my particular bailiwick these states which say to the people on their way here, "You're not staying here. We'll help you on your way." And when the United States goes to them and says, "Stop this," why should we stop this? Why is it in our interest to use our resources and our institutions to stop it? That is the very serious problem I see with this transnational front.

THE LEVERAGE OF TRADE

Mr. LANTOS. Well, to take the Chinese and the Taiwanese case, we clearly have enormous leverage in terms of their trade privileges. Both China and Taiwan are running huge trade surpluses with the United States of America. Now, clearly, we cannot run the internal institutions of China or Taiwan. But, we clearly can make it very expensive for them to continue these policies and not crack

down on their own criminal organizations that pursue these policies if we impose trade sanctions.

Mr. MYERS. Well, I would like to respond to that, because——

Mr. LANTOS. OK.

Mr. MYERS [continuing]. Quite frankly, our analysis of the economic situation in China—and it is very interesting that you bring up, of course, the weapon of trade—the provinces along the South China coast from economic development have become so empowered that they can virtually ignore Beijing. And the focus upon Beijing, and the pressure being brought to bear on them through trade policies through various other mechanisms, and their apparent willingness to help us is simply not being transmitted or translated down to the provincial level, because these are functioning, in effect, as independent entities. There is not a central draw.

Mr. LANTOS. Well, I understand what you are saying. But if they are functioning as independent entities and are prime beneficiaries of trade, then they, themselves, must find the mechanism to put an end to these illegal practices.

Mr. MYERS. Again, Mr. Chairman, I think the problem I am trying to address is not so much what I would call the source country, but it is the countries between China, and the United States and Western Europe that facilitate, allow the passage of these people. Their national airlines are being used to carry them. How do we direct our efforts toward those governments to say, "Stop this." They are not a source, they are not a target, and that is my universe. We have a source, we have a transmitting company—or country, and we have a target. That is us.

Mr. LANTOS. But I think the——

Mr. MYERS. It is the middle, that is the problem.

Mr. LANTOS. I understood that.

Mr. MYERS. For example, Indonesia, the Philippines, Guatemala, Honduras, all of these countries have been corrupted in a very substantial degree by the power of these Chinese smugglers and their allied businesses. And my question is: how do we gain the assistance of these countries in stopping not only alien smuggling, but local crime as a whole?

Mr. LANTOS. Well, I think the answer is that in every instance where we have leverage, we need to make that leverage directly related to these activities, which we really have not done. For instance, Mr. Clinton's proposal for China trade deals with human rights. It deals with arm sales. It deals with slave labor. But it does not deal with the question on insisting that China crack down on international criminal activities or most favored nation treatment will not be granted. And, it is an additional criterion that needs to be built into our trade discussions.

Is there any final comment any of you gentlemen would like to make? Because, I must say, I have found this enormously valuable and informative, and I have learned a great deal. Mr. de Borchgrave.

CLOSING COMMENTS

Mr. DE BORCHGRAVE. Mr. Chairman, I just wanted to say by way of conclusion that my greatest concern is the impact that the GOC will have on the very concept of liberal democracy. That, coupled

with the fact that no one seems to have an answer to the problem of unemployment in Europe. We are at 6.7 percent. They are arriving very quickly at 12.5 percent——

Mr. LANTOS. Absolutely.

Mr. DE BORCHGRAVE [continuing]. With no end in sight. Now, if you are a middle manager laid off at the age of 35 or 40 years old and after 1 year your democratic country does not need you, you are considered useless baggage. It seems to me you would be attracted automatically to some sort of criminal activity just to survive. That is where I think we are going.

Mr. LANTOS. You put your finger on one of the——

Mr. DE BORCHGRAVE. Thank you, sir.

Mr. LANTOS [continuing]. Most fundamental issues. Yes, Dr. Olson.

Mr. OLSON. One final comment: we have talked a great deal here about the nature of the international problem and threat. The concern that I have, and looking at sort of the mood of the country, is that the American public seems to me to be trying to distance itself from things that are happening overseas, and that a culture of forgetfulness is sort of developing here, that things that happen over there, somehow does not affect us. It is sort of the case of the man who read so much about the dangers of smoking that he gave up reading. The American public is coming to a stage in which they really do not want to know what goes on outside of our borders and do not believe that it affects us.

We need to find ways, if we are going to deal with this problem, of addressing that rise of an isolationist sentiment.

Mr. LANTOS. Well, isolationism has many dangers and this clearly is one of them. Mr. Myers.

Mr. MYERS. Well, Mr. Chairman, I just like to conclude by again echoing the fact that we need to define for the American people what this problem is; and not only for the American people, but for our Government, to define the problem of transnational global crime. And we need to find ways within our Government to address that in a more coherent and cohesive way, and to reach out to the community of nations and address this in a multilateral way.

Mr. LANTOS. Dr. Lee.

Mr. LEE. I really want to echo the sentiments of my three colleagues here on this panel. I hope that the—certainly that the very serious and potentially devastating national security implications of global organized crime can be brought to the attention of the American public and to the current administration.

Mr. LANTOS. Well, I want to thank all four of you. I, again, want to thank the outstanding staff work that went into the preparation of this hearing. This hearing is adjourned.

[Whereupon, at 11:47 a.m., the subcommittee was adjourned.]

coca paste is turned into cocaine HCL. A rough estimate of their gross income places the cartels at 70 percent of the GDP of Colombia, Bolivia, and Peru combined.

The Chinese Triads -- Highly-structured, ethnically-based crime networks that oversee a large number of member organizations. Their range of criminal activities is broader than the Colombian cartels, and includes heroin trafficking, alien smuggling, extortion, and credit card fraud. Chinese criminal organizations may earn as much as $3.1 billion a year from alien smuggling alone.

The Sicilian Mafia -- The main distributor of cocaine and heroin in Europe. They also specialize in sophisticated financial fraud operations and money laundering in a number of European countries.

These are by no means the only groups operating across national boundaries. Nigerian, Jamaican, Dominican, and Mexican criminal organizations, various Middle Eastern groups, the Japanese Borokudan, Korean groups, as well as, increasingly, Russian, Central Asian, and Pakistani organizations have all demonstrated considerable ability to expand operations beyond their native frontiers. The three major groups, however, are by far and away the largest, best organized, best financed, and most dangerous of these many organizations.

The growth in power, wealth, and influence of the major organizations is serious enough, but in recent years a more ominous trend has begun to emerge. It is becoming clear that these organizations are developing extensive contacts with each other and with local organized crime. This should not surprise us, for this development is a logical outcome of doing business, and a response to international law enforcement efforts. By cooperating, franchising, and sharing risks and profits, these groups are developing into true multinational businesses with tremendous flexibility. Their ability to shift resources, to evade local law enforcement, and to penetrate markets and social institutions is growing.

A decade ago, a snapshot of IOC would have shown a large number of criminal enterprises around the globe with massive resources and frightening power. The largest of these groups combined the sophistication and business acumen of Fortune 500 companies with the ruthlessness of Peru's Shining Path guerrillas. They were the driving force behind what was then an unprecedented global crime wave. That was then. A snapshot today would confirm our worst fears of the early 1980s. IOC has matured considerably. It is bigger, stronger, and in many cases more violent. And it is still growing. There was a time when IOC was content with small to mid-sized criminal operations and quick profits. That time is gone. IOC today has the resources to engage in criminal activity on a global scale. More important, IOC has the power, will, and ambition to directly challenge US interests abroad and here at home.

Abroad, IOC poses at least two major threats to the United States. First, it threatens to undermine democratic institutions. Second, it opens the possibility of a nexus between international terrorists, rogue states, and criminal networks.

THREAT TO DEMOCRATIC INSTITUTIONS

Our concern in the 1960s was that, left unattended, home-grown organized criminal networks, particularly La Cosa Nostra, could become the source of corruption and criminal activities beyond the power of local jurisdictions to cope. The social and economic consequences of that threat were sufficient to alarm national authorities and to lead to vigorous steps in response. We were lucky; we saw the threat in time and did something about it. As a result, there was little criminal penetration at our national level. This, however, is not the situation abroad. In many countries, the ability of criminal groups to penetrate deep into the fabric of government and social life is a stark reality, with profound consequences for political order, social cohesion, and common decency.

A stunning example of just how pernicious and pervasive such an invasion can be is the role the Mafia plays in Italy. Over the past several decades, the Sicilian Mafia and similar organizations in Naples and Calabria have gained tremendous influence in Italian national life. Through bribery, networking, intimidation, and official complacency if not connivance, the Mafia has managed to batten itself onto government and business like a limpet. In so doing, it has siphoned off national resources for its own use, used its influence to channel dangerous drugs into Italy and Europe, assassinated public leaders of courage and integrity, and corrupted and brought into disrepute government itself. It has tainted nearly everything and contributed to a public distrust that may take a generation to repair. It is not clear what the outcome will be. Yet, we suspect, that the Italian democracy is likely to survive this blow.

Democracy in many other parts of the world is not so deeply established or so well accepted by the people to survive either the blandishments of criminal organizations or revelations about the collusion between government and crime. Nor are all governments as strong and as resourceful as Italy or the United States in dealing with criminal organizations. In Latin America, Asia, Africa, in the emerging states of the former Soviet Union, in the new democracies of Eastern Europe, the threat of criminal organizations to the fragile growth of democracy, to the survival of honest government, is immediate and fundamental. Weak institutions and weak governments are empowering criminal organizations in ways both new and threatening to the survival of political and social cohesion in any number of states struggling with the transition to democracy and market economies.

Already, Russian President Boris Yeltsin has made it clear that organized criminal networks pose a serious threat to the security of his country. A similar tale is emerging in Eastern Europe, where there are growing reports not only of the brashness of local criminal groups but also of increasing activities by Colombian, Nigerian, and other major international criminal groups.

In many other areas, criminal groups are increasingly able to defy government outright, to bribe or intimidate it into inactivity, or to simply out-gun it. In some countries, criminal organizations have succeeded in replacing government and in excluding government authority from large tracts of the national territory. In Burma, for example, Khun Sa, a notorious drug

dealer has created a local army under the guise of nationalism that is able to defy central government forces. In many areas in Pakistan, the government is impotent in the face of organized crime. In Colombia, drug cartels have frustrated government efforts to suppress them by using a combination of violence and bribery on a colossal scale. The cartels have used their incredible financial resources to buy off the judiciary and significant parts of the Colombian Congress, and to influence public opinion. Even the more or less totalitarian government of China is unable to suppress drug trafficking and the wholesale bribery of its officials in the south, who are implicated in the drug trade.

This Committee knows the consequences only too well. From the Third World to the First World -- including the United States -- governments are increasingly unable to provide and preserve basic security, key services, social equity, and the rule of law. Much of the world is growing increasingly ungovernable and IOC is a major contributing factor.

But what has not been well studied is the growing alliances or coalitions between international organized crime, political groups that use terrorism, and outlaw states.

NEXUS OF CRIMINALITY, TERRORISM, AND ROGUE STATES

The threat from the nexus between IOC, terrorism, and rogue states is not contacts between groups per se but rather the marriage of extraordinary resources with unlimited ambitions and a faith in the remedial value of indiscriminate violence. In reality, many major criminal organizations are terrorist groups. They use threats and showy violence to achieve their ends. Likewise, terrorist groups are criminal organizations, although often garbed in transcendent claims for legitimacy based on some cause. Similarly outlaw states such as Iran, Iraq, and North Korea use terrorism and illegal criminal activities for political purposes.

These growing alliances add to the woes of governments already staggering from a host of disabilities. In Latin America, the Colombian cartel leadership contracted with local guerrilla/terrorist movements -- the FARC or the Sendero Luminoso -- to provide protection for drug trafficking enterprises, and to conduct violent operations against local governments, distracting the governments and preventing them from dealing more effectively with the cartels. The insurgent movements got something they desperately needed in return -- hard cash. Indeed, so lucrative has the relationship been, that many insurgent groups themselves now raise much of their operating capital from drug trafficking. This has meant greater operational independence and enhanced capabilities for such groups.

In addition to Latin America this pattern can be seen in other countries. In Europe, for example, the Kurdish Workers Party (PKK) engages in various criminal activities, such as selling drugs and protection, and is known for its extreme violence. In Lebanon, the radical Shia group Hezbollah has been deeply involved in drug trafficking, and provided protection and charged fees for false documents used by drug couriers. The case of Burma has already been mentioned. As one former Colombian cartel member noted, the guerrillas are no longer fighting

for a cause; they are fighting to protect their profits. They are not revolutionaries, they are businessmen in khakis. But there is a more insidious threat.

The second concern that arises from the nexus between criminal groups, terrorists, and rogue states, is the potential for proliferation of weapons of mass destruction. Criminal organizations have no social conscience or concern. Their exclusive aim is financial gain. In this regard, criminal organizations are unlikely to have compunctions about involving themselves in nuclear and other types of proliferation for profit. With the demise of the Soviet Union and the collapse of controls over the former Soviet nuclear arsenal, the potential for the diversion of arms, weapons-grade plutonium, or scientific know-how has increased significantly. Already, various criminal groups in Russia, particularly the Chechen-based groups, have offered such items and services for sale, although with no clear indication so far that they can actually deliver. But in the present circumstances, with policing powers overwhelmed by other concerns, demand may ultimately find a supply. While in the past terrorist organizations have either been unable to acquire sufficient expertise or material for their own nuclear arms programs, or have been unwilling to resort to them, the present environment is considerably more amenable to the possibility.

Rogue states no doubt also will find that criminal and terrorist groups may be useful to them in their efforts to acquire weapons of mass destruction. The potential for cooperative unions between criminal organizations, terrorist groups, and even states represents a serious threat in the post-Cold War era.

Organized crime may always be with us, but when it can threaten whole governments and operate across national boundaries, it becomes not just an ever-present discomfort to be endured, but a significant threat requiring a coherent, sustained effort in response. The United States cannot escape the disruptive effects of international criminal activity abroad. If the United States is the world's largest trading partner for licit international trade, it is also the biggest target for illicit international trade, for drug peddlers, gun dealers, and modern slave traders. The most dramatic illustration of their phenomenal influence is drug trafficking and the violence and corruption it breeds.

EFFECTS ON US INTERESTS AT HOME

In the United States, IOC contributes to widespread illegal alien smuggling, ethnic gang violence, money laundering, large-scale financial and insurance fraud, credit card counterfeiting, and most notably, our nation's debilitating drug problem.

The domestic effects of IOC are hardly subtle, and yet there is a sense, here in America, that all crime is exclusively local. It is not. Violent urban crime in this country increasingly has an international connection. Drugs are the obvious example. The hundreds of tons of cocaine and heroin entering the United States each year could not overcome US Customs' defenses without extensive smuggling networks established by international organized crime.

Nor could the vast proceeds be laundered or removed from this country without sophisticated capabilities and networks designed to evade detection. The sums are truly staggering. Cocaine and heroin produced and smuggled by Colombian cartels and Chinese Triads -- in monetary terms alone -- cost the United States an estimated $200 billion plus annually. That amount roughly equals the US defense budget, or what the United States spends on secondary and primary education.

The costs of drugs are also staggering in human terms. Between 1988 and 1991, 27,112 Americans died from drug overdoses. By comparison, 27,704 soldiers died in three years of fighting in the Korean War, from 1950-53. A spirited debate over health care is underway in the United States, but relatively little attention has been paid to a recent survey that showed emergency room visits from drug use rose to 119,800 in 1992. This was an 18 percent increase in a year. This figure does not take into account the 100,000 or more drug-exposed babies that are born every year in this country, children that are damaged by the effects of prenatal parental drug abuse. In the three years from 1988-1991, 1.6 million Americans needed emergency room treatment because of drug use. It is safe to say that many of those treated were not insured. Intravenous drug use is now the leading cause of new cases of HIV. The cost of treating AIDS and HIV positive patients was estimated at $5.8 billion in 1991. It is projected to be $10.4 billion in 1994. These costs are increasingly borne by public funds.

We also are finding ourselves confronted with yet another of the horrors perpetrated by these international gangsters, namely alien smuggling. This modern form of slavery blights the lives of individuals forced into human bondage to criminal organizations. Moreover, this process puts the ethnic communities that these groups exploit at risk of continuing extortion and brutalization. Our law enforcement agencies are struggling to effectively extend their reach to these communities. However, language and cultural barriers provide protective cover to the criminal organizations and, as a result, these communities often find themselves without the protection of law. They have no legitimate recourse to thuggery and consequently are at the mercy of groups whose only concern is profit. This is an ugly picture of exploitation. There is more.

The latest wave of credit card counterfeiting, where magnetic strips on cards are altered, was an import -- pioneered by gangs in Malaysia, Singapore, and Hong Kong. In addition, there are a multitude of other means whereby organized crime affects the quality of life. Insurance fraud, market distortions, and planned bankruptcies add to the cost of doing legitimate business and help to discredit business in the process.

Our success against the American mafia does not mean we are prepared to defend against the better financed and large international criminal groups that see the United States as their largest and most lucrative market.

THE FUTURE OF INTERNATIONAL ORGANIZED CRIME

IOC is not expanding unchecked. The recent arrest in Hong Kong of Kwok Ling Kay, an alleged leader of a sophisticated alien smuggling ring, was impressive. The ring is suspected of organizing the tragic journey of the *Golden Venture*, the rusty steamer that grounded in New York Harbor last June. US agents also recently broke a counterfeiting ring that sold thousands of entry visas to the United States, and may have provided documentation to some participants in the World Trade Center bombing conspiracy. Internationally, we have worked with the G7 countries to strengthen money laundering regimes. We have also successfully expanded international cooperation on a whole range of law enforcement and drug awareness initiatives. There is much in which we can take pride. But the job is not nearly done.

We are dealing with criminal leaders who will stop at nothing in order to protect their interests and get what they want. There is no easy solution to this problem, no panacea or "magic bullet." We face a serious threat that demands our attention, effort, and commitment.

Indeed, IOC activities are likely to expand in the United States and overseas. A number of factors suggest such growth, including the following:

* Economics of production. For most small farmers in many countries, growing illegal crops is far more lucrative than growing legal crops. There seems to be little on the horizon that would change this economic reality.

* International ungovernability. As has been stated earlier, IOC is at its strongest when governments are at their weakest. The growing trend toward international ungovernability greatly improves the climate for IOC.

* Immigration streams. Ethnically based IOC, such as the Asian Triads, tend to follow immigration patterns. Growing economic pressures worldwide are likely to generate substantial numbers of refugees and immigrants from areas where IOC is based. Many experts predict increased IOC activity accompanying Russians, East Europeans, Asians, Middle Easterners, Kurds, and others.

* Border porosity. The long, open US borders with Canada and Mexico provide ready access for criminals and illegal goods. Existing safeguards, such as border patrols and custom inspectors, may be reduced with the opening of free trade areas.

* Trends in technology. Advances in computers and telecommunications do not benefit only legitimate enterprise. The ease of modern communications makes contact among international criminal organizations fast, easy, and more secure.

US WEAKNESSES AND POSSIBLE RESPONSES

In its fight against IOC, the United States is saddled with a number of disabilities. First, while many Americans are aware of the extent of the dangers of organized crime at home, few are attuned to the manifestations and menace of IOC. Although some in the Congress and the Executive Branch are aware that we face a new threat, most are not. The country's foreign policy departments and agencies, and the country's universities and research centers, are still focused almost exclusively on traditional national security concerns. They utilize what can be called the state-centric approach to foreign affairs. From this perspective, problems revolve around states. We believe the state-centric paradigm is out of date. It does not adequately enable us to understand or predict important nonstate challenges or to conceive of creative solutions to the problems we face as a society.

Second, our response to IOC is at best fractured among a variety of agencies. There is no guiding assessment of the problem. For example, there is no government-wide estimate of the scope of international financial fraud threatening markets and banking institutions. There is little understanding of how IOC affects US foreign aid programs. For example, some estimate that more than 50 percent of our assistance to Russia is likely to find its way into the hands of criminals. While this is most likely an exaggeration, we are unable to determine the true extent of the considerable fraud that does occur, or the indirect costs it exacts. While some in the US government have recognized that there is a problem, we do not know what we do not know. We need a better handle on these issues.

At this stage of world history, neither our government, nor any other government, understands the magnitude of the threat posed by international organized crime. We began by noting that we can see the tip of the iceberg, but we suspect that the gravest danger lies below the water line. America needs an assessment of the problem. In the 1930s and 1940s, our government did not understand the enormous magnitude of the threat we faced first from Nazism and later from Communism. It took years before a fairly accurate picture emerged. The same could be said of the threat posed by terrorism in the early 1970s. We learned that we could not combat this potent threat with improved airport security alone and that a comprehensive assessment was needed. Similarly, in combating the hostile intelligence threat to US interests, we learned at considerable cost that a proper assessment was necessary to develop an effective strategy. We now need a similar assessment of the threat posed by IOC. Once we have an understanding of the dimensions of the iceberg, we will be in a better position to develop strategy and policy.

A third reason for our inability to neutralize the threat posed by IOC is the absence of policy on both the domestic and international levels. We do not mean to suggest that many dedicated law enforcement officers, and even a few diplomats and intelligence officers, have been doing a bad job. They have not, and indeed they have achieved a great deal. But overall US policy and implementation have been too narrowly conceived. We have relied for the most part on law enforcement and a little on diplomacy. We have not really used other major

instrumentalities and techniques. Were these instrumentalities to be blended with law enforcement, we believe we would achieve more impressive results.

Among the options that we believe are promising, if complex, are prevention and disruption. Prevention would entail educating the public and particularly vulnerable institutions about the threats from IOC, and providing incentives for protective action. For example, we have had some success in sensitizing financial institutions in the United States and in some other countries to the threat of money laundering. However, there has been relatively little attention paid to education and preventative action concerning the role and the potential of IOC in major international frauds, which could affect the US and the international economy. Prevention is something we believe the Congress should study.

Another technique that has received scant attention is disruption. For a variety of reasons, successfully prosecuting the leaders of IOC has been and is likely to remain extremely difficult. Just as in the fight against terrorism, prosecution has its place, but other techniques are needed. Among the most promising is disruption -- preventing criminal leaders from amassing money and power. We can create a climate that makes it much more difficult and expensive for them to do business. For example, criminal organizations could be legitimately disrupted through such techniques as overt and covert propaganda, and strengthened international agreements that would make it much more difficult for known or suspected criminals to travel, invest, or deal with legitimate governments or financial institutions.

Western countries have made some progress in using this strategy with terrorists. We have also made some progress in using disruptive techniques against drug "King Pins." Indeed, the DEA is to be commended for developing the beginning of a very sophisticated and relatively inexpensive approach to disrupting the Colombian cartels. However, disruption is a "stepchild" in the United States. Diplomats do not like it. Police also tend not to like it, and intelligence officers are wary of employing this technique. Hence, disruption does not have an obvious home or base of support. We do not believe that disruption is a panacea, but we do believe it deserves much more study and attention than it has received.

Again, the Congress could urge the Administration to direct much more attention to this technique. Utilizing this instrumentality requires skill and sensitivity. Important civil liberties are at stake. For example, it is not our recommendation that the military or non-law enforcement agencies be given special police powers, although they may have a role to play in combating international organized crime.

Prevention and disruption are but two of the new techniques that must be brought to bear on IOC. No matter what strategy we develop, our effort to find the best means for dealing with the threat of IOC must be part of a larger concern about the forces that currently affect foreign and domestic democracy, peace, and stability. We believe that growing challenges to the ability of governments to govern lie at the heart of much of the world's current troubles and creates situations that we are increasingly called upon to resolve. While we do not argue for a response to each and every one of these claims on us, we do believe that IOC is one of the leading

substate forces behind the disintegration of legitimate government, which we at NSIC refer to as the rise of Global Ungovernability. Our challenge in the post-Cold War world is to understand the forces at work behind ungovernability and find the means and will to meet this new threat to our security.

CONCLUSION

In summary, then, we believe that IOC poses a threat to US and international security:

- IOC undermines democratic institutions in many parts of the world. It contributes to the instability of newly formed democratic republics across the former Soviet Union. Russia and the new Republics are being challenged by one of the world's most formidable criminal movements, which mushroomed in the chaos after the breakup of the Soviet Union.

- IOC is forming alliances with terrorists and rogue states. John Le Carre's best-selling *Night Watchman* is fiction, but it is a fact that the organizations developed for narcotics smuggling and money laundering can be tailored to nuclear and biological arms proliferation.

- IOC is expanding despite the best efforts of law enforcement. No single country or law enforcement agency has successfully eradicated a major IOC enterprise -- although some have been substantially weakened.

- IOC has grown to massive proportions. The number of people that IOC employs dwarf the manpower of those agencies that attempt to control them. IOC's vast size also extends to wealth and resources, be it a fleet of airplanes or high-tech weapons. These organizations in many instances are better outfitted than those who work to stop them.

- IOC is exploring joint ventures among criminal enterprises, and with other transnational actors, such as political groups that use terrorism. While the nature of the business remains competitive, the leading IOC groups can and do cooperate. The development of the infrastructure to smuggle cocaine north from Colombia and Bolivia through Mexico was established by Mexican organized crime groups. As Colombians have sought to expand the cocaine market in Europe, they have turned for assistance to the Italian Mafia.

If these reasons are not enough, we should consider this simple observation: The world is fast becoming a dangerous place and America is fast becoming a dangerous neighborhood. We cannot shut the door on international crime, and it almost certainly will grow in size and affect if we do not improve our response.

To respond to this new threat we believe a number of steps are necessary:

- Awareness of the problem at the policy level, and the development of programs necessary to respond.

- Comprehensive analysis of the problems and issues. The law enforcement and intelligence communities need to combine efforts to produce a thorough assessment.

- We must remember that we are working in a reactive environment in which the criminal organizations are able to adjust to our efforts. One-time approaches will not succeed in defeating the foe.

- US leadership of an international effort to confront IOC. The ability of international criminal organizations to freely ignore international law and boundaries can only be dealt with on the broad front of agency and multinational cooperation to support investigations, arrests, trials, prevention, and disruption. The response must incorporate new and expanded programs to deal with, among others matters, financial crime, corruption, drug trafficking, extradition, bank regulation, and telecommunications security.

- Prevention must be included as part of a strategy. We have taken some steps with money laundering and financial fraud, but need to go much further in educating the public and private sectors about the effects of IOC and potential protective measures.

- Disruption should also be part of a strategy. The threat goes beyond law enforcement's abilities and its primary focus on prosecution as a solution. Other methods for raising the cost to IOC of doing business need to be explored and implemented.

We hope that this overview provides the background for a discussion of the threat and the reasons why the United States must develop serious and sustained responses. Thank you for this opportunity.

Roy Godson is President of the National Strategy Information Center and an Associate Professor in the Department of Government at Georgetown University.

Wm J. Olson most recently was Deputy Assistant Secretary of State in the Bureau of International Narcotics Matters and is now a Senior Fellow at the National Strategy Information Center.

Center for Strategic & International Studies
Washington, DC

**TESTIMONY GIVEN BY ARNAUD de BORCHGRAVE
BEFORE THE HOUSE SUBCOMMITTEE ON INTERNATIONAL SECURITY,
INTERNATIONAL ORGANIZATIONS AND HUMAN RIGHTS
NOVEMBER 4, 1993**

We all know that organized crime has a national dimension in most countries of the world. Little known, however, is the phenomenon of transnational organized crime, crime organized on a global basis through a variety of alliances between international crime syndicates whose chiefs are indistinguishable from anyone else one might meet at a social gathering. Mr. Chairman, (Tom Lantos), in your opening statement you alluded to reports of meetings of international crime bosses. I know of two such "summits"-- one in Prague a year ago and another in Monte Carlo at the height of last summer's social season. A former KGB General, now a Swiss-based businessman, chartered a large yacht for this particular get together of international crime lords from all over the world.

Political corruption and organized crime are moving hand in hand as the former communist countries try to democratize. International criminal activity is the world's fastest growing business since the demise of communism collapsed government structures in the east and fragmented a number of states in the west.

President Boris Yeltsin recently described Russia as the world's largest mafia state. The Italian mafia, Colombian drug cartels, money launderers in Venezuela, Argentina and many other centers thirsty for foreign investment, along with lax banking regulations, have established direct links with crime bosses in Ukraine, Russia, Kazakhstan, Romania and other former communist countries.

International crime lords have become so brazen that they are quite literally carving up the globe into a variety of privileged sanctuaries, ranging from narcotics to counterfeiting to illegal immigration and slavery in the form of teenage prostitutes sold from one country to another.

We know about the Chinese gangs that have been smuggling up to 100,000 Chinese per year into the United States. But similar rackets are taking place in all the former Communist countries where forged documents are sold by former intelligence forgery experts. Nigerian criminals, equipped with the latest high-tech paraphernalia, are producing all manner of credit card forgeries. Iran is counterfeiting near-perfect $100 bills that fooled 14 out of 15 French banks. Italy is now a different form of captive nation -- captive of the mafia, which has spread its tentacles to the rest of the continent and beyond. German law-enforcement officials have warned about the corruption of traditional political parties by organized crime emanating from other parts of the continent.

Almost 20 million unemployed in the 12 European Community member states, with almost 100 million affected (for the most part dependents), have created fertile

ground for the growth of organized crime. Almost half of them have been jobless for a year or more, a propitious environment for international criminal organizations of all types. In Italy, a country which appears to be fragmenting into three distinct regions, more than 2,000 top executives and politicians are in jail or under indictment, a systemic crisis which has provoked widespread disenchantment with democratic capitalism -- again favorable conditions for more crime.

Cocaine seized by European customs authorities was up 42% in the first half of this year -- that's about ten metric tons. The abolition of many of the EC's internal frontier controls last January 1 evidently has given narcotics traffickers a freer hand.

In the east, we see the emergence of what some are calling the gangster state. So-called gangster statesmen thrive in an environment of civil decay. The mechanism is diabolically simple: create conditions of chaos and anarchy and then exploit them; destroy or neutralize centers of legitimate power and then extract protection money from the defenseless. About 90% of private businesses in St. Petersburg are now paying protection to the racketeers.

Hitherto, gangster states were thwarted by the rigidity and discipline imposed by the cold war. The Soviet Union and it allies invoked ideology to maintain police states for the benefit of the privileged few. As Dr. Arkady Vaksberg, a former criminal lawyer and much-feared investigative reporter in the former Soviet Union, wrote in his book "The Soviet Mafia," from "the humblest in the farthest-flung outpost of the empire to those at the very epicenter of power within the Kremlin, the CP was a criminal conspiracy of cynical gangsters, the likes of which the world has never known...the party was an odious sham, a catastrophic collection of privileged time-servers and incompetents, masquerading behind a morally corrupt ideology and bumbling the Soviet Union toward economic ruin."

Much of the apparatus described by Dr. Vaksberg is still in place. Eleven out of 15 ex-Soviet republics are still run by nomenklatura apparatchiks. We make a grave mistake in assuming that with the Soviet Union gone and the CP dissolved, all the successor states really want is freedom, tranquility and prosperity.

Literally tens of billions of dollars have been siphoned out of these republics in illicit sales of everything from precious stones and platinum to enriched uranium and even some plutonium. A World Bank expert who tries to track these flows told me confidentially his estimate for 1992 alone was $13 billion. An investigator for a large U.S. bank just back from his third trip to the republics this year confided that his current estimate is $700 million a month.

These illegal flows are then laundered in off-shore banking centers and a variety of well-known countries in the West with dubious banking practices.

Narcotics traffic, traditionally viewed as the main source for the movement of

illegal money, comprises only about 40% of an estimated $1 trillion laundered and relaundered through western economies annually. The figure one sees used most frequently is $300 billion. But that is the estimate of what the U.S. underground economy generates per year. It was already $240 billion twelve years ago when I was researching a book about Latin American and North American drug connections. The other 60% stems from illegal arms sales, electronic fraud, gambling and prostitution.

One specific example of lucrative illicit gambling operations is the Yakizah, a notorious Japanese gang, that launders and estimated $20 billion a year, little, if any of it, being drug related. And that is just one of hundreds of criminal organizations with links to what we call GOC (Global Organized Crime) at the Center for Strategic and International Studies.

One trillion dollars a year in laundered money may strike many as an exaggeration. But this should be seen in the context of what some 200,000 currency traders, hunched over their computers in the world's financial centers, manage to move in each 24-hour cycle: One trillion dollars, each and every working day.

Without the ability to launder money, GOC would be dealt a crippling blow. But unless major crackdowns take place in all offshore banking centers simultaneously, the international criminals simply shift from one center to another when they know, as they usually do, that a crackdown is about to take place. Much of the illicit money quickly becomes licit, whether with the purchase of newly-privatized company in Argentina, the acquisition of a building in Venezuela, hotels in Greece or anything else that happens to be for sale.

The CEO of a major private bank in Switzerland told me that the only means he has of policing unusual transactions is if, say, a Venezuelan client, who normally transfers $500,000 a month, suddenly increases this amount to $1 or $2 million. The CEO would then call him and ask him for an explanation. By the same token he admitted there wasn't much he could do about it even if he did not find the explanation plausible -- except to close the account and lose the client.

Recently, when the banking heat was on in Colombia, billions of dollars were transferred to Venezuelan banks to purchase real estate. The Chairman of Venezuela's parliamentary narcotics commission estimated the amount at $14 billion. In other words, more money was being laundered in Venezuela than the country was earning in oil revenue. Venezuela also became an alternate route for about 200 tons of Colombian cocaine in a single year. Venezuelan and Colombian banks have branches in each other's countries and their connections with the mafia in Europe are well known to law enforcement agencies.

My reluctant conclusion is that international crime pays, wicked global crime bosses flourish, and plunder on a world scale has set new records. The criminal can afford the latest in every conceivable high-tech device and are, without exception, better

equipped than law enforcement agencies.

New principles of international intelligence sharing need to be established to fight global criminals in the post-cold war world. Only a much freer exchange of sensitive information can retard and then reverse the scourge of global organized crime. We are frequently asked about solutions to this spreading global virus. There are no magic bullets. A top priority should of course be a more centralized enforcement structure, both within the U.S. government agencies themselves and between nations.

Clearly too many government agencies are involved in tracking money flows, and for different reasons. We need better mechanisms for nations to coordinate intelligence efforts between themselves and we have to be able to monitor more effectively computer transfers, once known as wire transfers.

Some have even suggested that the only way to soak up the illicit funds of GOC and cope with the growing menace of laser technology as applied to counterfeiting is to introduce new $50 and $100 bills. One top U.S. government expert in this field told us, not for attribution, that an estimated 45% of greenbacks are no longer in circulation. He said they have presumably found their way into dirty hands or into the gradual dollarization process now underway in the former Soviet republics and communist states.

In theory, such a drastic action as the introduction of a new currency would force most major bills to reenter mainstream circulation, enabling us to extract the dirty from the clean. Admittedly, this would cause major disruptions, but new forgery-proof $50 and $100 bills would have the added value of utilizing state of the art technology to thwart counterfeiting.

Within the U.S., the DEA looks at money laundering as an after product of drug transactions. IRS and Customs regard money laundering as an independent crime. But the IRS, which has the best tools and trained agents to focus on money laundering, is committed to confronting Title 26 (which is income tax evasion), and it has only been in recent times that the FBI started looking at money laundering as a crime unto itself. So we need a coordinated response.

Between nations, small steps have been taken in the right direction. The FATF -- or Financial Action Task Force -- was established in the late 1980s with Canada, Britain, France and Germany, and has now grown to 27 nations. But many of the members are passive participants. Japan, to cite one critical example, tends to drag its feet, which means that only our major west European allies are actively engaged.

The Cold War froze intelligence policies on sharing information on a need-to-know basis. Law enforcement agencies and intelligence services in the west are still reluctant to pool their information and work multilaterally. Bilateral cooperation frequently functions effectively but organizations like INTERPOL or EUROPOL are little more than sanitized information swapping organizations.

GOC threatens democratic institutions everywhere and yet there is better cooperation between the bad guys than between the good guys. We can barely keep up with new interactive technologies, new global services like INTERNET, which has 20 million subscribers in 137 countries, using some 40,000 different electronic bulletin boards. Criminal networks use these services to transmit coded messages.

The NSA has the technology to assist but is reluctant to unveil its extraordinary collection capabilities. Much closer intelligence cooperation among the G-7 nations would be a good place to start. As far as I know, GOC has never been on G-7 summit's agenda. They could -- if the leaders had the will to do so -- establish a financial transaction tracking network.

The NSA has the technology and the ability to develop a data review and retrieval system that would enable law enforcement to monitor millions of individual financial transactions. Obviously such a system would require safeguards to ease legitimate concerns about the infringement of individual privacy.

Knowing that international criminal networks can react instantly to government impediments, immediate short-term goals should focus on disruption rather than destruction. We badly need a worldwide system to disrupt international organized crime.

Organized crime groups are also recruiting former guerrillas and terrorists from organizations that have withered as a result of the end of the cold war. Many are now without cause or country. Some 25,000 non-Afghan Muslims fought in the war against Soviet occupation. Many of them have been recruited as mercenaries for criminal causes, others have joined various Islamic revolutionary movements against the established authorities in Saudi Arabia, Egypt, Algeria, Morocco and Tunisia.

CSIS' preliminary conclusions, based on worldwide travel and talks with many experts on global crime in Washington and other capitals, are that the huge landmass of Eurasia, from Albania to Kazakhstan, formerly tightly controlled by the police state apparatus of communism designed to benefit the privileged few, is now an orderless vacuum which is being filled by GOC. Arms merchants, narco-traffickers, narco-terrorists, human flesh peddlers, counterfeiters, gambling racketeers and, of course, money launderers, are now organized on a global scale, with connections from Alma Ata to Arub, from Bosnia to Bogota and from Shanghai to San Francisco.

We know of at least one summit meeting of GOC bosses in an east European capital a year ago. A coordinated response is long overdue.

########

FOREIGN POLICY IMPLICATIONS

OF POST-SOVIET ORGANIZED CRIME

Testimony submitted to the Subcommittee on International Security, International Organization and Human Rights, Committee on Foreign Affairs, U.S. House of Representatives.

Rensselaer W. Lee III
Global Advisory Services
Alexandria, VA

November 4, 1993

Organized crime, of course, is not new to Russia and other former Communist states -- the phenomenon is rooted essentially in the irrationalities of a planned economy and in the vast black and gray markets that took shape in the last two decades of Communist rule. However, with the sudden demise of the Soviet empire, the ongoing transition to a market economy and the opening of borders to the West, organized crime in the East has acquired increased prominence and influence and a new malevolent face. Several characteristics of post-Soviet organized crime can be noted here.

First, criminal organizations now engage in a much wider range of illegal activities than they did during most of the Soviet period. These include, among other things, drug dealing, extortion, kidnapping, bank fraud, counterfeiting, contraband exports, contract murder, and trafficking in dangerous weapons and components. In Russia, the collapse of Soviet-era controls has been associated with a phenomenal expansion of extortion/protection rackets and the growth of almost unrestricted markets for weapons, munitions and narcotics.

Second, Russian crime syndicates are technically proficient and comprise an array of trained manpower. In the current unsettled environment, such groups can now acquire sophisticated weaponry, as well as state-of-the-art computers, automobiles and communication equipment. Furthermore, reduced employment opportunities in Russia's military-industrial complex allow criminal gangs to recruit and exploit extraordinary combinations of talent, including university-trained chemists and economists, former KGB and police operatives, ex-military specialists, behavioral scientists and other professionals.

Third, criminal organizations are legalizing their illicit fortunes by buying up a substantial proportion of the fledgling private economic sector, especially in the real estate commercial banking and retail trade spheres. Unfortunately, the process of privatization seems disproportionately to benefit the criminal world and the former nomenklatura which control ample amounts of start-up capital -- in contrast to most ordinary citizens whose savings have been eaten by ruble inflation and who have little access to bank credits.

Fourth, post-Soviet criminal organizations -- like their counterparts in Colombia, Italy and other countries -- are successfully converting their economic wealth to political influence at local and even national levels. De-facto representatives of the Russian mafia prowled the halls of the recently disbanded Russian parliament; also, recent corruption scandals in Russia suggest that the tentacles of organized crime have reached the topmost echelons of the government bureaucracy and the military establishment in that country.

Fifth, post-Soviet organized crime is moving westward. This westward march or drift is reflected not only in smuggling of armaments, strategic metals or narcotics or in the growing trade in radioactive substances -- Russian criminal organizations themselves are establishing affiliates and franchises in Western countries and collaborating in new ways with major international crime syndicates.

The widening influence of organized crime represents a significant burden to the former Soviet republics which are staggering under the multiple challenges of creating a functioning private economy, nurturing a young democracy and developing a new political system. The damage to the Russian economy -- calculated in terms of capital flight, extortion payments, illegal outflows of valuable and frequently irreplaceable assets, and increasingly circumscribed opportunities for legitimate private business (including foreign investment) -- is, of course, enormous. Politically, the spreading power and reach of criminal gangs could derail reform, especially if significant sectors of the population in Russia and other states come to equate privatization and democratization with government by criminals. Already the issues of crime and corruption have figured prominently in the contest between Boris Yeltsin and his conservative parliamentary opponents and in the debate over Russia's political and economic future generally. Former Vice President Aleksandr Rutskoi commented in 1992 that "if reformers continue in the same direction they are moving now, the Italian mafia will be coming to Russia for training."[1] But Rutskoi himself now stands accused of embezzling government funds and transferring the money to a Swiss bank account.

Neither Yeltsin nor his rivals can legitimately claim the high ground on the crime issue. To be sure, the state of emergency that followed Yeltsin's successful confrontation with the parliament coincided with an apparent crackdown on crime in Moscow and Central Russia. Some petty criminals and traders, mostly from the Caucasus, Azerbaidjan and Central Asia were deported from Moscow. A draft decree of the Yeltsin administration would establish tighter registration procedures and would expand powers of law enforcement agencies to conduct searches and to detain suspects. Such measures, though, seem unlikely to dislodge the powerful and well-entrenched criminal networks that operate in Moscow, Yekaterinburg, St. Petersburg and other important Russian cities. Concentrating police raids and sweeps on non-Russian nationalities ignores the ethnic Russian component of important forms of organized crime -- such as extortion and illegal arms trading. Perhaps more to the point, Yeltsin's government lacks a coherent crime-fighting strategy: Official corruption remains rampant, effective laws against corruption, racketeering and embezzlement have not been introduced; witness protection programs do not exist and law enforcement and security organs are underfunded, underequipped and in some bizarre respects mentally unprepared to deal with the challenge of modern, professional criminal organizations.

But if organized crime in Russia and other successor states threatens stability and reforms in these states, it also has important implications for the international system. Consider, for example, the growing international reach of criminal organizations headquartered in Russia and other former Soviet republics. According to MVD sources, some $7 billion in organized crime funds were transferred from the Soviet Union to Germany between 1988 and 1992.[2] Mafia groups comprising ethnic Russians, Chechens, Azerbaidjanis, Georgians and other nationalities from the former Soviet Union have entrenched themselves in Helsinki, Prague, Warsaw, Berlin, Frankfurt and other European cities. Such mafias have established roots in Tel Aviv and Haifa and are active in such

U.S. cities as Philadelphia, New York and Los Angeles. The export of "Russian" crime is producing predictable increases in homicides, racketeering, prostitution, drug abuse and official corruption in the affected countries. In Germany, some 30 "Russian" organized crime groups now operate, some of them comprising more than 300 members. German police officials estimate that almost one-third of all crimes in Germany are committed by emigrants from the former Soviet Union.[3]

Russian crime groups and their international criminal partners are striking increasingly sophisticated deals. The unprecedented seizure of a ton of cocaine earlier this year near the Russian-Finnish border suggested a maturing relationship between Russian syndicates and Colombian cocaine cartels. Russian criminal enterprises have begun shipping high-quality Asian heroin to U.S. distribution networks -- possibly portending explosive exports of drugs produced in the former USSR, such as hashish, marijuana, opium, methamphetamines and synthetic opiates. Some press reports suggest that Russian and international crime syndicates have bargained to exchange stolen cars, computers and computer parts for Russian drugs, prostitutes, strategic metals, rockets, missiles and nuclear materials. Foreign drug operators are said to be laundering money by buying oil, metals and other commodities in Russia for export to the West. There are reports of recent "crime summit" meetings in Warsaw and Prague between Russian underworld groups and those of the three main Italian organized crime groups (the Sicilian Cosa Nostra, the Calabrian Ndrangheta and the Neapolitan Camorra). At the Prague meeting in November 1992, according to a Russian Academy of Sciences report, the criminals reportedly discussed ways of expanding European trade networks for narcotics, weapons and atomic bomb components as well as the possibility of creating teams of ex-KGB officials to monitor and protect illicit shipments.[4]

The startling appearance in Western Europe of substances such as plutonium, enriched uranium, strontium and cesium -- to date in admittedly small quantities -- highlight organized crime's successful infiltration of military and defense industrial institutions in Russia and perhaps other nuclear NIS countries. In 1992 police reportedly confiscated 18 shipments of nuclear bomb materials in Germany smuggled from the former USSR.[5] The nuclear trade apparently is exceedingly profitable -- a kilogram of enriched uranium 235 sells in European markets for $1 million, 20 times the European price of a kilogram of cocaine and 50 times the purchase price of the material in the Urals.[6] There is some evidence that Russian emigres are brokering the nuclear and arms businesses. One example is the "Kuzin International" group based in Vienna. According to the Italian newspaper Corriere della Sera, this group is run by a reputed former KGB colonel named Aleksandr Victorovich Kuzin in cooperation with other former KGB types; it markets a variety of strategic products such as uranium, plutonium, explosives, missiles and helicopters, peddling these items to clients in Pakistan, India, Argentina and in the Middle East.[7] Now, it is difficult to assess the military significance of this traffic -- perhaps the significance is comparatively minor to date. But what does the leakage of nuclear materials say about the state of controls in post-Soviet defense establishments over the estimated

30,000 warheads in the territory of the former USSR or over stockpiles of lethal conventional, biological or chemical weapons?

Policy makers in the United States and other Western countries have not yet recognized the growing power and reach of organized crime in the former USSR as a significant foreign policy issue; yet this development seems likely to jeopardize international stability and aggravate East-West relations on a number of fronts. On the most general level, flourishing organized crime in Russia and other newly-independent states threatens Western interests in the emergence of a stable, legitimate political-economic order in post-Communist Eurasia. Yet certain specific consequences can also be noted. For example, export of Russian crime to neighboring Europe could set the stage for retaliatory customs and immigration barriers that would set back the cause of European integration. Some Western European police officials that I interviewed recently are openly nostalgic about the Cold War era, when the NATO-Warsaw Pact confrontation effectively insulated Western societies against the criminal underworld in the East. A flood of narcotics sweeping in from the post-Soviet republics could also provoke protectionist reactions from European governments. The violent protection gangs operating in Russian cities could slow foreign investment, complicate the implementation of foreign assistance programs, and in general generate anti-Russian sentiment in the West. The illegal trade in weapons and nuclear materials will prevent normalization of East-West technology exchanges and also obstruct meaningful arms control agreements by casting doubts on states' ability to monitor and control stockpiles. Similarly, organized crime's penetration of defense establishments increases the likelihood that sophisticated weapons and technologies will become available to aspiring nuclear nations or even to malevolent free agents such as the Sicilian Cosa Nostra or the Medellin Cartel.

U.S. and Western diplomatic priorities, foreign aid programs and intelligence objectives vis a vis the NIS must be reconfigured to address these disturbing scenarios. Priority should be given to crafting new relationships with NIS law enforcement and security institutions, and generally to helping NIS states resist the criminalization of their political and economic structures. Also, the United States and other Western nations should pressure NIS states to introduce effective nuclear regulations and export controls and to restore the integrity of their financial systems. Extrapolating more broadly, the disintegration (or collapse) of state authority in NIS states and the emergence of powerful transnational criminal syndicates should be viewed as a warning. Our global agendas and security doctrines continue to be wedded to the idea that the only important international transactions are those occurring among nation-states. The United States must begin to redesign its arsenal of foreign policy tools to counter the complex challenges posed by non-state actors to Western security and democratic values. The alternative is ineffectual responses to the increasingly unstable patterns of change that characterize the international system in the post-Cold War era.

NOTES

1. Leonid L. Fituni. "CIS Organized Crime and Its International Activities." Russian Academy of Sciences Center for Strategic and Global Studies. Wilbad Kreuth, 1993, p. 1.

2. Joseph Serio (President, Eurasian Business Services, Moscow). "Organized Crime in the Former Soviet Union." Unpublished paper, May 1993, p. 26.

3. Vladimir Lupskii and Boris Lysenko. "Russkaya Mafiya v FRG Dyeistvuyet Slovno u Sebya Doma." Izvyestiya, May 27, 1993, p. 7.

4. Fituni. op. cit., pp. 10-11.

5. Paul Klebnikov, "Joe Stalin's Heirs." Forbes, September 27, 1993, p. 134.

6. Kirill Belyaniov, "Utyechka." Literaturnaya Gazyeta, January 30, 1993, p. 13.

7. Paolo Biondani. "Italia Un Ex-Agents KGB Coordina Gli Scambi Atomici." Corriere de la Sera. Rome. November 10, 1992, p. 9.

THE CENTER FOR THE STUDY OF ASIAN ORGANIZED CRIME
21 SOUTH FIFTH STREET PHILADELPHIA, PA 19106 (215) 592-8388

STATEMENT OF WILLARD H. MYERS, III, CENTER FOR THE STUDY OF ASIAN ORGANIZED CRIME, TO THE SUBCOMMITTEE ON INTERNATIONAL SECURITY, INTERNATIONAL ORGANIZATIONS AND HUMAN RIGHTS, COMMITTEE ON FOREIGN AFFAIRS, HOUSE OF REPRESENTATIVES, NOVEMBER 4, 1993.

Good morning Mr. Chairman and members of the Committee. My name is Willard H. Myers, III and I am the Director of the Center for the Study of Asian Organized Crime. I founded this non-profit organization, as an outgrowth of my work as an Immigration Attorney specializing in cases of persons from the People's Republic of China

Beginning in 1986, in the course of my work as an attorney, I was attracted by a trickle of Chinese arriving in the United States who had been smuggled from China by what appeared to be a single international smuggling organization with links in China, Bolivia and Mexico. I began to record this information in a systematic way, but regarded it only as an interesting phenomenon. After the June 1989, Tianamen Square massacre, that trickle became a flood, and with it came information that revealed to me the existence of global transnational criminal organizations, which were generating annual revenues from smuggling Chinese aliens that were as large as the world's largest corporations and in excess of the GNP of many nations

I created a computerized data base with the thought that it would merely duplicate information which I believed was being collected by appropriate enforcement agencies of the United States or would at most serve as an adjunct to their efforts It came as a great shock to me as a citizen, that not only were the responsible agencies of our government not collecting this information, but that the threat posed to our national security and international security had not even been perceived. Indeed, I found that those few individuals within the Immigration and Naturalization Service, who had seen the same threat, were laboring under a bureaucratic structure and leadership that appeared to be purposefully designed to thwart

their efforts and suppress recognition of this problem.

I decided to use every resource available to me to collect and analyze intelligence information, to make this information freely available to law enforcement and to use every public forum provided to prod our government to act, before action would prove futile. I have published two comprehensive reports, which have been widely circulated among enforcement and diplomatic agencies within our government and those of several foreign governments. I have provided a copy of the most recent of these reports to your staff.

It is therefore a great pleasure to appear before you this morning.

My remarks to you this morning are drawn from more than three thousand interviews with Chinese who have been smuggled into the United States, from interviews with Chinese alien smugglers, Triad, Tong and gang members, from other Chinese contacts in both the United States and China and from dedicated members of the law enforcement community within and without the United States and other high level contacts within the our government and the governments of other countries. My conclusions are my own and the product of more than four years of research. I would be remiss if I did not credit the work of my multilingual Chinese paralegals, Angel Cheung and Lisa Zhang without whose dedication to the eradication of these criminal activities none of my research would have been possible

Overlooked in the rapid geo-political transformations and economic readjustments ushered in by the post cold-war era have been the criminal organizations operating behind the curtains of iron and bamboo, formerly kept in check by repressive governments, but now free to expand globally. No group of organizations represents a greater threat to our own national security and that of other nations, than that posed by the emergence and expansion of Asian transnational criminal organizations of Chinese origin.

Consider the following question: could any military arm or security agency of our government or that of any other government surreptitiously transport more than 100,000 people per year half way across the globe, feed, house and equip them with false documentation and insert them into another

country, virtually unimpeded by the security forces of that country? I believe your answer would be no. That is, however, precisely what the Chinese transnational criminal organizations engaged in alien smuggling have been able to accomplish in the United States, each year, for the past four years while generating annual profits in excess of $3 billion dollars per year.

Acting cooperatively, these organizations have opened a highly sophisticated global transportation network capable of transporting, on a large-scale, persons or goods from any country to any country of their choosing and placing those persons or goods within the target country undetected and unimpeded by the security forces of that country and removing from that country the enormous profits generated by their efforts. In attaining this success, these organizations have co-opted and corrupted in whole or part agencies and organs of 72 national governments, corrupted and disrupted international travel and transportation facilities, generated international tension between the United States and many other countries, cost the US taxpayers millions of dollars in enforcement efforts and shaken the democratic pluralistic principles upon which this country was founded.

Indeed, a recent confidential report prepared by the Royal Hong Kong Police Force suggests the existence of a high-level alliance between the leadership of Hong Kong Triads and the national government of the People's Republic of China and that as a part of that alliance the Triads will run candidates in the coming Hong Kong elections, who will hold office when Hong Kong reverts to Chinese control in 1997. The report points to the very real possibility that the Triads could gain control of this vital South East Asian financial and trading center through subversion of the democratic processes and in partnership with the Chinese government govern the country to their mutual benefit. That report, if credited, and I for one am prepared to do so, presents us with the specter of a national government being operated by Asian organized crime.

Recent comprehensive hearings held by your counterparts in the Senate before the Permanent Subcommittee on Investigations of the Committee on Governmental Affairs and a hastily convened, much

interrupted hearing on June 30, occasioned by the arrival of the Golden Venture in New York, before the Subcommittee on International Law, Immigration and Refugees of the Judiciary Committee of this body have dealt in piecemeal fashion with the role of transnational Asian criminal organizations in alien and drug smuggling, prostitution, credit card fraud and the entertainment industry, but none have considered the national and international security implications before us this morning.

THE ORGANIZATIONS AND THEIR OPERATIONAL STRUCTURE

Law enforcement agencies agree that presently there are seven major Chinese organized crime organizations or Triads that operate transnationally. These consist of the Hong Kong based Sun Yee On, the Wo Group, which consists of ten triads, the 14K Triad with over thirty subgroups, the Luen group with four subgroups, the Big Circle Gang and the Taiwan based United Bamboo Gang and the Four Seas Gang.

While these organizations control vast fiscal resources and command powerful international political influence they are *spheres* of organized criminal activities, rather than *centers* of that activity as many of our domestic and some international law enforcement organizations believe. My research discloses that their operational role in alien smuggling and I believe in other international criminal activity attributed to them is more akin to a cooperative resource and communications center upon which affiliated principal actors can call for the provision of *information*, *services* and *political influence* needed to accomplish the particular criminal activity in which they are engaged and for which *services* these organizations receive considerable revenues and derive substantial influence. Quite simply, Triad organizations, as entities, do not commit international crime, they benefit from its commission.

Western law enforcement agencies, particularly those in the United States, whose understanding of the operational structure of organized crime has been shaped by their pursuit of the Mafia, Cosa Nostra and the Colombian Drug cartels mistakenly impose a traditional pyramidal operational structure upon these organizations They place the Triads at the top, Tongs at the next level and gangs at the bottom. Their

traditional enforcement approach dictates that "if you cut off the head, the body will die." However my research discloses that there is quite simply, no single head to be removed and there is no body that will die from the lack of direction and coordination represented by the head. The Chinese name for alien smugglers,"snake heads", and the route followed, "coming by the snake" should be taken seriously by law enforcement. It is an accurate caricature of the organizational structure they are confronting.

It is precisely because these criminal activities are not initiated from a central point that these organizations have achieved a global reach and it is what makes them such a threat. An initiator of a criminal activity may call upon the collective resources of the organization, its affiliates or even competing organizations to achieve his objectives.

THE ROLE OF OVERSEAS CHINESE BUSINESSMEN IN GLOBAL TRANSNATIONAL CRIME

To understand how this organizational structure functions in practice, I must take a moment to provide some background. Chinese from Taiwan and the mainland have emigrated to virtually every inhabited area on earth. Where they have put down their roots, they have been entrepreneurs and commercially successful. In many instances they have achieved economic success in enterprises critical to a particular local economy and as a result they have gained influential access to the political apparatus. In addition many have engaged in businesses critical to a wide spectrum of criminal activity such as banking, investment, shipping, international import-export, travel, hotels and restaurants.

From within these communities a very small, but significant portion of Chinese businessmen will initiate or willingly cooperate with or be drawn into participation in international criminal activity. They will become willing participants because, in many instances, the activity is not perceived by them as criminal in nature, but rather a highly lucrative business. This is particularly so in the case of alien smuggling, which is regarded by both the smugglees and the smugglers as a business in which the smugglers are providing an highly desired service at very expensive price. Similarly, in the case of drug smuggling, the drugs are not going to the Chinese community but are destined for sale to the *guey lo faan*

or non-Chinese and are therefore seen by some as legitimate source of business.

Because many of the countries to which these Chinese have emigrated and in which they are established, have poor economies, they have been able to gain influential access to the political and military apparatus, which in many cases is one and the same. With this access and influence they are able to achieve admittance of their smuggled goods or people for a comparatively small bribe. Those accepting the bribes often find justification in the fact that goods or people are not going to remain in their country but are destined for the United States and the money generated by these entrepreneurs may benefit the local economy.

These pools of overseas Chinese businessmen and women, thus represent resource satellites hovering about the spheres of dedicated organized criminal activities represented by the Triads. The retention of their cultural identity and maintenance of contacts with mainland China and Taiwan through extended family members provides knowledge of their economic position and access to them by those in need of the services they are able to provide. However, because they primarily operate legitimate businesses in the countries where they reside and may only occasionally participate in criminal activity, they are very difficult for law enforcement to identify.

Without these globally distributed resources able to be functionally combined at will, transnational Chinese crime could not function and without a dedicated center of political influence and information represented by the Triads, knowledge of the existence of these resources could not be disseminated. When these two pieces are combined, law enforcement is confronted with a seamless web, in which the cutting of one strand only leads to the use of another.

With this all too brief sketch in mind, I will now piece together, in general terms, how this global transportation network functions and more specifically address the role of transnational criminal organizations in it. My remarks here are confined to alien smuggling in which I feel I have some level of expertise I believe that they have application to drug smuggling as well, since I have found that some

of the same persons are engaged in both activities, but people and drugs are *never* commingled.

ALIEN SMUGGLING

After more than four years of work, I have concluded that the smuggling of mainland Chinese aliens, primarily from Fujian Province to the United States is operationally run by persons of Taiwanese origin and primarily initiated by smugglers of Fukienese origin. The proximity of Taiwan to Fujian, the Fukienese origin of most Taiwanese and a history of two-way smuggling between Taiwan and Fujian Province make this a natural alliance.

As I have said there is no operational center but a spider web of connected nodes any one of which can lead to the United States I have identified individuals and organizations in thirty-five countries who are of Taiwanese origin, who play or have played a significant role in the smuggling of aliens to the United States in the time span recorded in my data base, twenty years.

Alien smuggling operations may be divided into three segments for purposes of understanding the role played by persons or organizations engaged in them. The segments consist of: initiation of smuggling and recruitment of smugglees, provision of international transportation and entry into the United States and collection, remission and distribution of smuggling fees after arrival in the United States

INITIATION AND RECRUITMENT OF SMUGGLEES

Fujian Province has been and is being transformed, virtually overnight, from an agrarian economy to an industrial and manufacturing center with investment primarily from Taiwan, secondarily from Japan and a significant amount from the proceeds of Chinese alien smuggling. The unprecedented influx of investment capital, development and industrialization has had two significant affects: it has fiscally empowered Provincial, urban and rural governments where development has occurred, endowing them with immunity from Beijing central control and it has created an enormous pool of displaced agrarian workers who have been displaced from their land and who lack the skills and education to participate in

the transformed economy. These workers comprise what the Chinese call the *floating population* It is within these conditions that Chinese organized crime thrives.

The vast pools of capital introduced into a Communist economy have institutionalized bribery and corruption as way of life from the most minor village official to the Provincial level and have guaranteed the cooperation necessary to permit smuggling to operate. The economic power represented by Provincial development has insured that international diplomatic efforts directed at Beijing to control the smuggling can not effectively be translated into Provincial action and the *floating population* insures an enormous source of people willing and ready to pay to "ride the snake" to *mei guo*, the *Golden Mountain*, America.

Smuggling from Fujian Province to the United States is initiated by individuals or organizations of Fukiense or Taiwanese origin. The actual recruitment of smugglees is always done by individuals of Fukienese origin acting for themselves as principals or on behalf of a Taiwanese organization from among the *floating population*.

If the departure from China is to be through a controlled air or land exit point a Chinese passport must be obtained for the smugglee and the influence of either Sun Ye On or 14K Triads together with a bribe of $3,000 will obtain the issuance of the passport. If the departure is by sea or by surreptitious crossing of the international border, no passport is required.

PROVISION OF INTERNATIONAL TRANSPORTATION AND ENTRY INTO THE UNITED STATES

Control of international smuggling transportation routes to the United States, whether by air or sea is exclusively in the hands of organizations composed of or headed by persons of Taiwanese origin. It these organizations or individuals that receive the majority of funds generated by alien smuggling. They receive the total profits when they are initiators of the smuggling and substantial payments when they provide services to others.

These organizations operate and maintain the safehouses in intermediate countries, provide false documents, operate the land routes through Mexico to the United States and provide the funds for the

BOSTON PUBLIC LIBRARY
3 9999 05903 739 8

purchase of vessels or the alliances to obtain passage on cargo vessels of Taiwanese shipping companies. They provide the coordination, control, communications and intelligence necessary to make global alien smuggling a successful reality.

Currently, there are two important Taiwanese organizations in operation. One, the oldest dating back to 1965, located in Bolivia with operations in Brazil, Argentina, Peru, Thailand, Vietnam, Hong Kong, France, Mexico and the United States and a second in Guatemala with operations in Belize, Honduras, El Salvador, Nicaragua, Panama, the Caribbean basin, Mexico, Russia, Hong Kong and the United States.

In the last two weeks, this second organization landed a boat in Puerto Rico with 59 Chinese men and women, who had been smuggled from China to Hong Kong, through Paris to the Dominican Republic by air and placed on a small boat for the short voyage from the Dominican Republic to Puerto Rico and landed a cargo vessel in El Salvador with more than 200 Chinese men and women who made the voyage entirely by sea. In addition at least four vessels two off the East and two off the West Coast are seeking the opportunity to make landfall on United States soil. These events graphically illustrate the capability of these organizations and effectively belie the Administration's propagandistic, self-laudatory "press release" proclaiming that their current efforts have controlled alien smuggling, which was naively parroted in article in the *Washington Post* on November 1, 1993.

Both organizations are linked fiscally and operationally to a much larger, but as yet unidentified organization or organizations in Taiwan Substantial intelligence supports the conclusion that this (these) organization(s) control high-ranking members of the National Police Agency (NPA) and exert considerable influence over corrupt elements of the Taiwanese government. In addition this (these) organization(s) serve(s) as the link to the Triads. Through the operations in Taiwan links have been provided between smugglers and cargo vessel shippers resulting in the use of cargo vessels to effect large-scale seaborne smuggling directly or indirectly to the United States. This development changed seaborne smuggling from

a small-scale haphazard operation into one capable of moving large numbers of smugglees.

The organizations in Bolivia and Guatemala maintain close contacts with each other and work cooperatively, not competitively, when and where necessary.

COLLECTION, REMISSION AND DISTRIBUTION OF SMUGGLING FEES ON ARRIVAL IN THE UNITED STATES

Individual and large organizational smugglers have made contracts with US based Fukienese Chinese organizations to meet smugglees at their point of arrival, to deliver them from that point to New York City their terminal point in the United States and to collect the final payment and remit the proceeds, less their contract commission to the smuggler. The final payment frequently is 80%-90% of the total fee of $28, 000 - $33,000.

It is this phase of the smuggling operation to which US law enforcement and the American public have had the most exposure and the one responsible for producing the present legislative and executive response. It is also the one most responsible for many erroneous conclusions reached by both law enforcement and the American public.

To move large numbers of smugglees arriving at single time as from a vessel, from their point of arrival to New York City, their destination and to collect the funds due, smugglers have contracted with ethnic Fukienese gangs, the most notorious of which was Fuk Ching headed by Ah Kay. However, Fuk Ching, is only one of many organizations which provide these services.

Common to the methods used by each of these organizations is the use of guarded safehouses at the arrival point and the destination point to prevent detection by law enforcement and to insure that the debt owed is paid by the guarantor. It is understood by all parties smugglee, smuggler and guarantor prior to departure from China, that the smugglee will not be released until the debt is paid in full or acceptable arrangements are made to pay the debt.

It is when the guarantor of the debt is unable or unwilling to pay, that violent methods may be employed against the smugglee and the guarantor to effect collection. This is the point when law

enforcement has been frequently brought in. From the very small of number of dramatic and well publicized raids on these safehouses charges of torture,. slavery, involuntary servitude and prostitution have been broadly asserted by law enforcement, the media and well-meaning legislators. In addition law enforcement has concluded that those maintaining the safe-houses and collecting the debts are the smugglers and that their arrest will lead to the demise of the smuggling.

However, these conclusions are in each respect unsupported by fact. My research shows that in 99% of the cases, debts are paid in full and the smugglee is released unharmed. The debt having been paid, is owed not to the smuggler but to the guarantor, who is most frequently a close or extended relative or a friend It is not involuntary servitude, but a moral obligation to repay the debt to the guarantor or to family in China who have borrowed money a high rate of interest that motivates smugglees to seek any form of employment and work long hours at low rates of pay at multiple jobs, while living in dense low cost housing conditions.

The organizations collecting debts are precisely that, contract debt collectors who receive a percentage of what they collect and remit the balance to the off-shore smugglers

In this brief presentation, I have only scratched the surface of some of the many facets involved in this global criminal operation I want to conclude by pointing out that the commodity being smuggled by these organizations are people and unlike drugs, the uncontrolled influx of large numbers of people can permanently alter the culture and economy of the country to which they migrate and ultimately its politics and institutions Low population density countries like the Australia and Canada have recognized this threat and are taking positive planned measures to meet it The United States must now face perhaps one of the greatest threats to its integrity and security in this post cold-war era, the uncontrolled admission of irregular migrant populations set adrift by political and economic dislocations in their countries of origin and brought to our shores by transnational criminal organizations. Once settled, these migrants generate exponential demand for their relatives to join them, which fact we are now seeing with the widespread arrival of a "second generation" of smuggled Chinese. This uniquely human trait will insure that the smugglers will be in business for years to come.

I welcome your questions